

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name City of Utica	County Macomb
Audit Date 6/30/04	Opinion Date 11/19/04	Date Accountant Report Submitted to State: 12/28/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Paul V. Engstrom & Co., L.L.P.			
Street Address 16000 West Twelve Mile Road		City Southfield	State MI
Accountant Signature <i>Paul V. Engstrom & Co., L.L.P.</i>		ZIP 48076	
		Date 12/23/04	

CITY OF UTICA, MICHIGAN

UTICA, MICHIGAN

* * * * *

FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

PAUL V. ENGSTROM & CO., L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS
16000 WEST TWELVE MILE ROAD
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CITY OF UTICA, MICHIGAN

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CITY OF UTICA, MICHIGAN

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Utica, Michigan
7550 Auburn Road
Utica, Michigan 48317

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Utica, Michigan, as of and for the year ended June 30, 2004, which collectively comprise the City of Utica, Michigan's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Utica, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Utica, Michigan, as of June 30, 2004, and the respective changes in position and cash flows, where applicable, thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis, retirement system schedules of funding progress and employer contributions, and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Honorable Mayor and
Members of the City Council
City of Utica, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Utica, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note A, the City of Utica, Michigan has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of July 1, 2003.

Paul V. Engstrom & Co., L.L.P.

Southfield, Michigan
November 19, 2004

CITY OF UTICA, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2004

This discussion and analysis of the City of Utica, Michigan's (the City) financial position and performance provides an overview of the City's financial activities for the fiscal year ending June 30, 2004. Please read it in conjunction with the City's financial statements.

Using This Annual Report

The City has changed the format of its financial statements for the fiscal year ending June 30, 2004 to comply with the Government Accounting Standards Board Statement No. 34. Two new statements, the Statement of Net Assets and the Statement of Activities, report the City's finances on a government-wide basis, with a focus on long-term economic resources. Following the Government-Wide Statements are the Fund Financial Statements, which report the City's operations in more detail and focus on the City's ability to provide services in the current year.

Government-Wide Financial Statements

The Government-Wide financial statements report information about the City as a whole using accounting methods similar to those used in the private sector. The Statement of Net Assets reports all of the assets and liabilities of the City and reports the difference between the assets and liabilities as "net assets". The Statement of Activities reports all the City's revenues and expenses for the year, regardless of the timing of cash flows.

The Government-Wide financial statements are divided into two categories, Governmental and Business-Type. The Governmental activities include the basic services, such as administration, public safety, ambulance, street maintenance, and recreation. Governmental activities are funded primarily by property tax levies, State-shared revenues and grants, with some charges for services. Business-Type activities, which include the Sewer and Water Department and the Senior Housing facility, are primarily funded by charges for services.

Fund Financial Statements

The Fund financial statements provide detailed information about the City's most significant funds, not the City as a whole. Funds are accounting tools used to track specific sources of funding or expenses. State law mandates the use of certain funds. Others are established at the City Council's direction.

There are three kinds of funds: Governmental, Proprietary, and Fiduciary.

The Governmental Funds account for most of the City's basic services. The focus is on measuring the ability of the City to provide the current year's services. Capital assets and long-term liabilities are not included in the Statement of Net Assets. Revenues are reported when the cash is available to pay current obligation. Expenses are reported when the payment is made, regardless of when the liability for payment was incurred. Acquisition of capital assets and the payment of debt principal and accrued interest are reported as expenses when the cash payments are made.

The Proprietary Funds account for the services primarily funded through customer charges. Like the Government-Wide financial statements, the Proprietary Funds focus on long-term economic resources and report all assets and liabilities. Revenues and expenses are reported when incurred, regardless of the time of cash flows.

The Fiduciary Funds account for the assets that the City holds in-trust or as agent for other agencies or individuals. The Government-Wide financial statements do not report the fiduciary activities because the assets are not available to finance the City's operations.

(Continued)

CITY OF UTICA, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2004

The City of Utica, Michigan as a Whole

The following table shows, in a condensed format, the Net Assets as of June 30, 2004. Prior year information is not available because this is the first year of the implementation of GASB Statement No. 34.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
Current	\$ 3,762,262	\$2,107,355	\$ 5,869,617
Non-Current	<u>9,865,461</u>	<u>6,540,873</u>	<u>16,406,334</u>
Total Assets	13,627,723	8,648,228	22,275,951
LIABILITIES:			
Current	1,283,769	200,411	1,484,180
Long-Term	<u>5,536,068</u>	<u>3,120,000</u>	<u>8,656,068</u>
Total Liabilities	<u>6,819,837</u>	<u>3,320,411</u>	<u>10,140,248</u>
NET ASSETS:			
Invested-In Capital Assets - Net of Related Debt	3,952,413	3,416,452	7,368,865
Restricted	2,153,800	329,412	2,483,212
Unrestricted	<u>701,673</u>	<u>1,581,953</u>	<u>2,283,626</u>
Total Net Assets	<u>\$ 6,807,886</u>	<u>\$5,327,817</u>	<u>\$12,135,703</u>

(Continued)

CITY OF UTICA, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2004

The City of Utica, Michigan as a Whole (Continued)

The following table shows the Changes In Net Assets for the year ended June 30, 2004:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenue:			
Program:			
Charges for Services	\$1,080,966	\$ -	\$1,080,966
Sewer and Water	-	1,524,016	1,524,016
Senior Housing	-	304,218	304,218
Operating Grants and Contributions	303,918	-	303,918
Capital Grants and Contributions	92,144	37,317	129,461
General:			
Property Taxes	3,411,877	-	3,411,877
State-Shared	556,528	-	556,528
Unrestricted Investment Earnings	24,415	16,423	40,838
Gain (Loss) on Disposal of Capital Assets	(19,371)	-	(19,371)
Cable Fees	55,694	-	55,694
Miscellaneous	<u>21,863</u>	<u>127</u>	<u>21,990</u>
Total Revenue	5,528,034	1,882,101	7,410,135
Program Expenses:			
General Government	1,297,064	-	1,297,064
Public Safety	2,561,310	-	2,561,310
Health and Welfare - Ambulance	143,368	-	143,368
Public Works	1,216,413	-	1,216,413
Recreation and Cultural	164,859	-	164,859
Sewer and Water	-	1,386,789	1,386,789
Senior Housing	-	195,213	195,213
Interest and Fees on Long-Term Debt:			
Governmental Activities	249,280	-	249,280
Sewer and Water	-	47,768	47,768
Senior Housing	<u>-</u>	<u>107,212</u>	<u>107,212</u>
Total Program Expenses	<u>5,632,294</u>	<u>1,736,982</u>	<u>7,369,276</u>
Change In Net Assets	<u>(\$ 104,260)</u>	<u>\$ 145,119</u>	<u>\$ 40,859</u>

Because this is the first year for which the City is reporting under GASB No. 34, comparative data is not a part of this discussion and analysis. Future reports will provide an analysis of comparative data for the Statement of Net Assets and the Statement of Activities.

(Continued)

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2004

Governmental Activities

Governmental activity revenues totaled \$5.53 million, of which property taxes represented 61 percent and State-shared revenues represented 10 percent. Charges for such services as building inspections, rubbish collection and ambulance transportation generated 19 percent of revenues. Operating grants, which represent 5 percent of revenues, consist of Act 51, Act 32, and Act 302 distributions.

Governmental activity expenses totaled \$5.63 million, of which general government activities accounted for 23 percent, police and fire accounted for 45 percent, and public works accounted for 21 percent. The City embarked on the resurfacing of Utica Road, between River Vista and M-59.

The City contributed to both of its defined benefit pension systems the percent of payroll required by the most recent actuarial valuations.

Business-Type Activities

The City has two Business-Type activities, the Sewer and Water Fund and the Senior Housing Fund. The Sewer and Water Operations are funded directly through user fees and charges for services. The Senior Housing Operations and Debt Service are funded directly through rental fees.

The Sewer and Water Fund collected \$1.52 million in charges for service and had \$1.39 million in operating expenses. The City purchases water from the Detroit water system and pays Detroit to treat the City's sewage. The City historically adjusts sewer and water rates annually to cover rate increases from Detroit and to cover the operating costs and debt service payments. The Sewer and Water Fund has two outstanding revenue bond issues, which generated \$47.7 thousand of interest expense and fees.

The Senior Housing Fund collected \$3.04 thousand in rental charges and had \$1.95 thousand in operating expenses. The Fund has an outstanding general obligation bond issue, which generated \$1.07 thousand of interest expense and fees.

The City's Funds

Following the Government-Wide financial statements is an analysis of the City's major funds. The major funds are the General Fund, the Major Street Fund, the Local Street Fund, and the 2001 Street Improvement Fund. The Major and Local Street Funds are established to account for State of Michigan Act 51 revenue sharing. The 2001 Street Improvement Fund accounts for the bond proceeds authorized by the citizens in 2001 for local street improvement projects.

General Fund Budgetary Highlights

The City monitors and amends the budget during the year to account for unanticipated events. The City reduced the budget for State-shared revenues in anticipation of cuts to the sharing of the sales tax, but in the end the distribution exceeded the original budget. The Department Heads were directed to reduce spending in response to the reductions to State-shared revenues. The Police Department budget had to be increased in response to overtime costs that resulted from several major incidents, including the August, 2003 blackout and the May, 2004 flood.

(Continued)

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2004

Capital Assets and Long-Term Debt Administration

On June 30, 2004, the City had \$7.37 million invested in such capital assets as land, buildings, equipment, and water and sewer mains. This year, the City is also reporting the investment in streets, sidewalks, and storm drains since 1980.

In fiscal year 2004, the City refunded the 1996 Municipal Building Authority Refunding Bonds and the 1996 Water and Sewer Revenue Bonds to reduce the interest expense on the outstanding principal. The City is also reporting on the Statement of Net Assets the liability for three street improvement bonds and several installment purchase agreements and lease/purchase agreements for police and fire equipment, which previously were reported in the General Long-Term Debt Account Group.

Economic Factors and Next Year's Budgets and Rates

Revenue growth has been and is expected to continue to be relatively stagnant, as Proposal A and Headlee hold down property tax values and millage rates, and as the State deals with its own budget problems by reducing the distributions of sales tax to the municipality.

The City has attempted to limit the growth of its expenses to the rate of inflation. However, this is becoming more difficult, as payroll and the related healthcare and pension benefits are the primary expenses of the City, and they are all expected to increase faster than the rate of inflation. For the immediately succeeding fiscal year, the City has offered early-retirement incentives to reduce the payroll.

Contacting the City's Financial Management

This financial report is intended to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, you may contact the Finance Director at the City of Utica, 7550 Auburn Road, Utica, Michigan 48317.

CITY OF UTICA, MICHIGAN

GOVERNMENT-WIDE
STATEMENT OF NET ASSETS
JUNE 30, 2004

	PRIMARY GOVERNMENT			Component Units
	Governmental Activities	Business- Type Activities	Total	
ASSETS:				
Cash and Cash Equivalents (Notes A4 and C)	\$ 3,292,239	\$1,541,555	\$ 4,833,794	\$ 337,403
Receivables: (Note A4)				
Taxes	62,712	-	62,712	2,603
Accounts	202,138	375	202,513	-
Sewer and Water Bills	-	115,637	115,637	-
Unbilled Sewer and Water Income	-	206,545	206,545	-
Due From Other Governments:				
State	45,096	-	45,096	-
Local Units	7,246	-	7,246	-
Internal Balances	142,360	(142,360)	-	-
Prepaid Expenses (Note A4)	-	29,276	29,276	-
Restricted Assets - Cash (Note C)	10,471	356,327	366,798	-
Capital Assets Not Being Depreciated (Notes A4 and D)	839,900	7,095	846,995	343,463
Capital Assets Being Depreciated - Net (Notes A4 and D)	8,293,603	6,344,042	14,637,645	1,178,204
Deferred Charges:				
Construction Contracts	731,958	4,421	736,379	-
Unamortized Bond Discounts and Costs (Note A4)	-	185,315	185,315	-
Total Assets	<u>13,627,723</u>	<u>8,648,228</u>	<u>22,275,951</u>	<u>1,861,673</u>
LIABILITIES:				
Accounts Payable	139,360	147,891	287,251	448
Contracts Payable:				
Billed	264,201	-	264,201	-
Unbilled	731,958	4,421	736,379	5,521
Accrued Liabilities	148,250	21,184	169,434	-
Payable From Restricted Assets - Security Deposits	-	26,915	26,915	-
Non-Current Liabilities: (Notes A4 and F)				
Due Within One Year	287,420	220,000	507,420	70,000
Due In More Than One Year	<u>5,248,648</u>	<u>2,900,000</u>	<u>8,148,648</u>	<u>825,000</u>
Total Liabilities	<u>6,819,837</u>	<u>3,320,411</u>	<u>10,140,248</u>	<u>900,969</u>
NET ASSETS:				
Invested-In Capital Assets - Net of Related Debt	3,952,413	3,416,452	7,368,865	626,667
Restricted For:				
Street and Highway Maintenance	875,478	-	875,478	-
Liquor Law Enforcement	22,723	-	22,723	-
Building Code Enforcement	197,239	-	197,239	-
Drug Enforcement	25,786	-	25,786	-
Debt Service	-	277,264	277,264	22,708
Capital Projects	1,022,103	52,148	1,074,251	-
Police Training	3,284	-	3,284	-
Fire Equipment	7,187	-	7,187	-
Downtown Development	-	-	-	228,675
Library Operations	-	-	-	82,654
Unrestricted:				
Designated For:				
Street Equipment Replacement	59,557	-	59,557	-
Parks Development	78,468	-	78,468	-
Parks Vehicle Replacement	870	-	870	-
PEG Video Equipment	989	-	989	-
Administrative Equipment Replacement	33,913	-	33,913	-
Undesignated	<u>527,876</u>	<u>1,581,953</u>	<u>2,109,829</u>	<u>-</u>
Total Net Assets	<u>\$ 6,807,886</u>	<u>\$5,327,817</u>	<u>\$12,135,703</u>	<u>\$ 960,704</u>

See Notes to Financial Statements.

(Continued)

CITY OF UTICA, MICHIGAN

GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes In Net Assets			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
PRIMARY GOVERNMENT:								
Governmental Activities:								
General Government	\$1,297,064	\$ 647,154	\$ 16,227	\$ -	(\$ 633,683)	\$ -	(\$ 633,683)	
Public Safety	2,561,310	168,815	22,219	-	(2,370,276)	-	(2,370,276)	
Health and Welfare - Ambulance	143,368	127,551	-	-	(15,817)	-	(15,817)	
Public Works	1,216,413	137,446	265,472	92,144	(721,351)	-	(721,351)	
Recreation and Cultural	164,859	-	-	-	(164,859)	-	(164,859)	
Interest and Fees on Long-Term Debt	<u>249,280</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(249,280)</u>	<u>-</u>	<u>(249,280)</u>	
Total Governmental Activities	<u>\$5,632,294</u>	<u>\$1,080,966</u>	<u>\$303,918</u>	<u>\$92,144</u>	<u>(4,155,266)</u>	<u>-</u>	<u>(4,155,266)</u>	
Business-Type Activities:								
Sewer and Water	\$1,386,789	\$1,524,016	\$ -	\$37,317	-	174,544	174,544	
Senior Housing	195,213	304,218	-	-	-	109,005	109,005	
Interest and Fees on Long-Term Debt:								
Sewer and Water	47,768	-	-	-	-	(47,768)	(47,768)	
Senior Housing	<u>107,212</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(107,212)</u>	<u>(107,212)</u>	
Total Business-Type Activities	<u>\$1,736,982</u>	<u>\$1,828,234</u>	<u>\$ -</u>	<u>\$37,317</u>	<u>-</u>	<u>128,569</u>	<u>128,569</u>	
Total Primary Government					<u>(4,155,266)</u>	<u>128,569</u>	<u>(4,026,697)</u>	
COMPONENT UNITS:								
Downtown Development - Public Works	\$ 55,712	\$ -	\$ -	\$ -	-	-	-	(\$ 55,712)
Interest and Fees on Long-Term Debt -								
Downtown Development	47,021	-	-	-	-	-	-	(47,021)
Library - Cultural	<u>183,016</u>	<u>10,533</u>	<u>12,073</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(160,410)</u>
Total Component Units	<u>\$285,749</u>	<u>\$10,533</u>	<u>\$12,073</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(263,143)</u>
GENERAL REVENUES:								
Property Taxes					3,411,877	-	3,411,877	330,435
State-Shared Revenues					556,528	-	556,528	-
Unrestricted Interest Earnings					24,415	16,423	40,838	1,915
Loss on Disposal of Capital Assets					(19,371)	-	(19,371)	-
Cable Fees					55,694	-	55,694	-
Miscellaneous					<u>21,863</u>	<u>127</u>	<u>21,990</u>	<u>-</u>
Total General Revenues					<u>4,051,006</u>	<u>16,550</u>	<u>4,067,556</u>	<u>332,350</u>
CHANGE IN NET ASSETS					(104,260)	145,119	40,859	69,207
NET ASSETS - JULY 1, 2003 - As Restated (Note A5)					<u>6,912,146</u>	<u>5,182,698</u>	<u>12,094,844</u>	<u>891,497</u>
NET ASSETS - JUNE 30, 2004					<u>\$6,807,886</u>	<u>\$5,327,817</u>	<u>\$12,135,703</u>	<u>\$960,704</u>

CITY OF UTICA, MICHIGAN

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2004

	Special Revenue Funds			Capital Project Fund		
	General	Major Street	Local Street	2001 Street	Non-Major Governmental Funds	Total Governmental Funds
ASSETS:						
Cash and Cash Equivalents (Notes A4 and C)	\$ 991,369	\$648,064	\$188,522	\$1,044,091	\$420,193	\$3,292,239
Receivables: (Note A4)						
Taxes	62,712	-	-	-	-	62,712
Accounts	190,138	-	-	12,000	-	202,138
Due From Other Funds (Note E)	1,111	-	-	142,360	-	143,471
Due From Other Governments:						
State	-	31,701	13,395	-	-	45,096
Local Units	-	-	-	6,135	-	6,135
Deferred Charges - Construction Contracts	-	-	-	731,958	-	731,958
Restricted Assets - Cash (Note C)	<u>10,471</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,471</u>
Total Assets	<u>\$1,255,801</u>	<u>\$679,765</u>	<u>\$201,917</u>	<u>\$1,936,544</u>	<u>\$420,193</u>	<u>\$4,494,220</u>
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Accounts Payable	\$ 40,429	\$ 1,895	\$ 3,000	\$ 67,891	\$ 26,145	\$ 139,360
Contracts Payable:						
Billed	-	1,309	-	262,892	-	264,201
Unbilled	-	-	-	731,958	-	731,958
Accrued Liabilities	<u>50,521</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,521</u>
Total Liabilities	<u>90,950</u>	<u>3,204</u>	<u>3,000</u>	<u>1,062,741</u>	<u>26,145</u>	<u>1,186,040</u>
Fund Balances:						
Reserved for:						
Police Training	3,284	-	-	-	-	3,284
Fire and Ambulance Equipment	7,187	-	-	-	-	7,187
Unreserved:						
Designated	173,797	-	-	873,803	-	1,047,600
Undesignated, Reported In:						
General Fund	980,583	-	-	-	-	980,583
Special Revenues Funds	-	676,561	198,917	-	245,748	1,121,226
Capital Projects Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>148,300</u>	<u>148,300</u>
Total Fund Balances	<u>1,164,851</u>	<u>676,561</u>	<u>198,917</u>	<u>873,803</u>	<u>394,048</u>	<u>3,308,180</u>
Total Liabilities and Fund Balances	<u>\$1,255,801</u>	<u>\$679,765</u>	<u>\$201,917</u>	<u>\$1,936,544</u>	<u>\$420,193</u>	<u>\$4,494,220</u>

See Notes to Financial Statements.

CITY OF UTICA, MICHIGAN

GOVERNMENTAL FUNDS
RECONCILIATION OF FUND BALANCES TO THE STATEMENT OF NET ASSETS
JUNE 30, 2004

Total Fund Balance for Governmental Funds	\$3,308,180
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Amounts Reported for Governmental Activities in the Statement of
Net Assets Are Different Because:

Capital Assets Used In Governmental Activities Are Not Financial Resources and Are Not Reported in the Funds	9,133,503
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The Funds Do Not Report Note or Bond Indebtedness as a Liability Until It Comes Due for Payment	(5,181,090)
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Accrued Interest Payable Is Not Reported in the Funds	(97,729)
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Long-Term Portion of Compensated Absences Are Not Due and Payable in the Current Period and Are Not Reported in the Funds	(<u>354,978</u>)
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Net Assets of Governmental Activities	<u>\$6,807,886</u>
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See Notes to Financial Statements.

CITY OF UTICA, MICHIGAN

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

		<u>Special Revenue Funds</u>		<u>Capital Project Fund</u>		
	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>2001 Street</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:						
Taxes and Penalties	\$3,411,877	\$ -	\$ -	\$ -	\$ -	\$3,411,877
Property Tax Administrative Fee	88,027	-	-	-	-	88,027
Licenses and Permits	31,542	-	-	-	143,316	174,858
Intergovernmental Revenue:						
Federal	28,517	92,144	-	-	-	120,661
State	568,646	186,653	78,819	-	-	834,118
Drug Forfeitures	-	-	-	-	1,690	1,690
Fines and Costs	166,821	-	-	-	-	166,821
Charges for Services	358,582	-	-	-	-	358,582
Rental Income	19,350	-	-	-	39,190	58,540
Cable Royalties	55,694	-	-	-	-	55,694
Interest on Investments	10,849	3,653	1,316	4,095	4,502	24,415
Other	<u>244,287</u>	<u>7,350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>251,637</u>
Total Revenues	<u>4,984,192</u>	<u>289,800</u>	<u>80,135</u>	<u>4,095</u>	<u>188,698</u>	<u>5,546,920</u>
EXPENDITURES:						
General Government:						
Legislative and Executive	39,654	-	-	-	-	39,654
Elections 5,825	-	-	-	-	5,825	-
Assessor's Department	25,684	-	-	-	-	25,684
Legal Department	81,386	-	-	-	-	81,386
Clerk's Department	205,497	-	-	-	-	205,497
Treasurer's Department	162,222	-	-	-	-	162,222
Building Code Enforcement	-	-	-	-	113,422	113,422
Building Improvement and Maintenance	33,640	-	-	-	11,407	45,047
Rubbish Disposal	135,690	-	-	-	-	135,690
425 Agreement (Note K)	220,202	-	-	-	-	220,202
Other	<u>206,141</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>206,141</u>
Total General Government	1,115,941	-	-	-	124,829	1,240,770
Public Safety:						
Police Department	1,983,431	-	-	-	6,060	1,989,491
Fire Department	401,530	-	-	-	-	401,530
Health and Welfare - Ambulance	121,284	-	-	-	-	121,284
Public Works	501,766	115,255	76,212	-	-	693,233
Recreation and Cultural	151,699	-	-	-	-	151,699
Capital Outlay	-	-	-	215,479	33,911	249,390
Debt Service:						
Principal Retirement	244,299	-	-	-	-	244,299
Interest and Debt Service Fees	<u>251,159</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>251,159</u>
Total Expenditures	<u>4,771,109</u>	<u>115,255</u>	<u>76,212</u>	<u>215,479</u>	<u>164,800</u>	<u>5,342,855</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>213,083</u>	<u>174,545</u>	<u>3,923</u>	<u>(211,384)</u>	<u>23,898</u>	<u>204,065</u>
OTHER FINANCING SOURCES (USES): (Note E)						
Operating Transfers In	-	-	-	423,171	-	423,171
Operating Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(423,171)</u>	<u>(423,171)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>423,171</u>	<u>(423,171)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	213,083	174,545	3,923	211,787	(399,273)	204,065
FUND BALANCES, JULY 1, 2003	<u>951,768</u>	<u>502,016</u>	<u>194,994</u>	<u>662,016</u>	<u>793,321</u>	<u>3,104,115</u>
FUND BALANCES, JUNE 30, 2004	<u>\$1,164,851</u>	<u>\$676,561</u>	<u>\$198,917</u>	<u>\$873,803</u>	<u>\$394,048</u>	<u>\$3,308,180</u>

See Notes to Financial Statements.

CITY OF UTICA, MICHIGAN

GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Net Change In Fund Balances - Total Governmental Funds \$204,065

Amounts Reported for Governmental Activities in the Statement of
Activities are Different Because:

Governmental Funds Report Capital Outlays as Expenditures;
In the Statement of Activities, These Costs are Allocated Over
Their Estimated Useful Lives as Depreciation (420,738)

The Repayment of Principal on Notes and Bonds Payable is
an Expenditure in the Governmental Funds, But Not in the
Statement of Activities (Where It Reduces Long-Term Debt) 245,173

Interest Expense is Reported in the Statement of Activities When
a Liability is Incurred, They Are Reported in the Governmental
Funds Only When Payment Is Due 1,880

Change in Accumulated Employee Sick and Vacation Pay Are
Recorded When Earned in the Statement of Activities (114,854)

Proceeds from the Disposal of Capital Assets are not Reported
as Revenue in the Governmental Funds; the Undepreciated
Cost of the Assets Disposed is Removed from the Capital
Asset Account and Offset Against the Sale Proceeds in the
Statement of Activities (19,786)

Change In Net Assets of Governmental Activities (\$104,260)

CITY OF UTICA, MICHIGAN

**PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2004**

	<u>Enterprise Funds</u>			
	<u>Senior Housing Operations</u>	<u>Municipal Building Authority Senior Housing</u>	<u>Sewer and Water</u>	<u>Total</u>
ASSETS:				
Current Assets:				
Cash and Cash Equivalents (Notes A4 and C)	\$149,944	\$ -	\$1,391,611	\$1,541,555
Receivables: (Note A4)				
Accounts	375	-	-	375
Sewer and Water Bills	-	-	115,637	115,637
Unbilled Sewer and Water Service Income	-	-	206,545	206,545
Prepaid Expenses (Note A4)	-	-	29,276	29,276
Total Current Assets	<u>150,319</u>	<u>-</u>	<u>1,743,069</u>	<u>1,893,388</u>
Non-Current Assets:				
Deferred Charges:				
Unamortized Bond Discount and Costs	-	147,915	37,400	185,315
Construction Contracts	-	-	4,421	4,421
Restricted Assets: (Note C)				
Cash-In-Bank:				
Security Deposits	26,915	-	-	26,915
Improvement and Expansion	-	-	52,148	52,148
Reserve for Bond Debt	-	96,466	180,798	277,264
Capital Assets Not Being Depreciated - Land (Notes A4 and D)	-	2,000	5,095	7,095
Capital Assets Being Depreciated - Net (Notes A4 and D)	<u>455</u>	<u>2,087,141</u>	<u>4,256,446</u>	<u>6,344,042</u>
Total Non-Current Assets	<u>27,370</u>	<u>2,333,522</u>	<u>4,536,308</u>	<u>6,897,200</u>
Total Assets	<u>177,689</u>	<u>2,333,522</u>	<u>6,279,377</u>	<u>8,790,588</u>
LIABILITIES:				
Current Liabilities:				
Accounts Payable	15,623	-	132,268	147,891
Contracts Payable - Unbilled	-	-	4,421	4,421
Accrued Interest on Bonds	-	10,173	11,011	21,184
Due to Other Funds (Note E)	-	-	142,360	142,360
Current Portion of Bonds Payable (Notes A4 and F)	<u>-</u>	<u>125,000</u>	<u>95,000</u>	<u>220,000</u>
Total Current Liabilities	<u>15,623</u>	<u>135,173</u>	<u>385,060</u>	<u>535,856</u>
Non-Current Liabilities:				
Payable from Restricted Assets - Security Deposits	26,915	-	-	26,915
Long-Term Liabilities - Bonds Payable (Notes A4 and F)	<u>-</u>	<u>2,020,000</u>	<u>880,000</u>	<u>2,900,000</u>
Total Non-Current Liabilities	<u>26,915</u>	<u>2,020,000</u>	<u>880,000</u>	<u>2,926,915</u>
Total Liabilities	<u>42,538</u>	<u>2,155,173</u>	<u>1,265,060</u>	<u>3,462,771</u>
NET ASSETS:				
Invested-In Capital Assets - Net of Related Debt	455	92,056	3,323,941	3,416,452
Restricted For:				
Debt Service	-	96,466	180,798	277,264
Improvement and Expansion	-	-	52,148	52,148
Unrestricted	<u>134,696</u>	<u>(10,173)</u>	<u>1,457,430</u>	<u>1,581,953</u>
Total Net Assets	<u>\$135,151</u>	<u>\$ 178,349</u>	<u>\$5,014,317</u>	<u>\$5,327,817</u>

See Notes to Financial Statements.

CITY OF UTICA, MICHIGAN

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Enterprise Funds</u>			
	Senior Housing Operations	Municipal Building Authority Senior Housing	Sewer and Water	Total
OPERATING REVENUES:				
Charges for Services:				
Rent	\$244,283	\$ -	\$ -	\$ 244,283
Maintenance Fees	59,012	-	-	59,012
Cleaning and Painting Fee	923	-	-	923
Sewer and Water Charges	-	-	1,502,015	1,502,015
Penalty Charges	-	-	22,001	22,001
Miscellaneous	<u>25</u>	<u>-</u>	<u>102</u>	<u>127</u>
Total Operating Revenues	<u>304,243</u>	<u>-</u>	<u>1,524,118</u>	<u>1,828,361</u>
OPERATING EXPENSES:				
Wages, Payroll Taxes, and Benefits	-	-	326,055	326,055
Office and Administration	3,290	-	17,137	20,427
Water Purchase and Surcharge	-	-	360,552	360,552
Waste Disposal	-	-	422,444	422,444
Maintenance and Repairs:				
System	-	-	10,155	10,155
Building	58,823	-	6,565	65,388
Apartment Prep	13,252	-	-	13,252
Supplies	-	-	7,293	7,293
Engineering Fees	-	-	16,083	16,083
Utilities	29,375	-	16,419	45,794
Depreciation	89	57,984	150,772	208,845
Insurance	22,724	-	46,393	69,117
Equipment:				
Maintenance, Repair, Fuel	-	-	5,264	5,264
Replacement and Rental	-	-	813	813
Building Rent		-	-	185
185				
Custodial Service and Supplies	6,872	-	229	7,101
Rubbish Disposal	2,732	-	-	2,732
Miscellaneous	<u>-</u>	<u>72</u>	<u>430</u>	<u>502</u>
Total Operating Expenses	<u>137,157</u>	<u>58,056</u>	<u>1,386,789</u>	<u>1,582,002</u>
OPERATING INCOME (LOSS)	<u>167,086</u>	<u>(58,056)</u>	<u>137,329</u>	<u>246,359</u>
NON-OPERATING REVENUES (EXPENSES):				
Interest on Investments	1,161	7,276	7,986	16,423
Interest Expense and Debt Service Fees	<u>-</u>	<u>(107,212)</u>	<u>(47,768)</u>	<u>(154,980)</u>
Total Non-Operating Revenues (Expenses)	<u>1,161</u>	<u>(99,936)</u>	<u>(39,782)</u>	<u>(138,557)</u>
Income (Loss) Before Contributions and Operating Transfers	168,247	(157,992)	97,547	107,802
Capital Contributions	-	-	37,317	37,317
Operating Transfers In	-	181,774	-	181,774
Operating Transfers Out	<u>(181,774)</u>	<u>-</u>	<u>-</u>	<u>(181,774)</u>
CHANGE IN NET ASSETS	<u>(13,527)</u>	<u>23,782</u>	<u>134,864</u>	<u>145,119</u>
TOTAL NET ASSETS, JULY 1, 2003	<u>148,678</u>	<u>154,567</u>	<u>4,879,453</u>	<u>5,182,698</u>
TOTAL NET ASSETS, JUNE 30, 2004	<u>\$135,151</u>	<u>\$178,349</u>	<u>\$5,014,317</u>	<u>\$5,327,817</u>

See Notes to Financial Statements.

CITY OF UTICA, MICHIGAN

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Enterprise Funds</u>			
	Senior Housing Operations	Municipal Building Authority Senior Housing	Sewer and Water	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$303,858	\$ -	\$1,534,012	\$1,837,870
Cash Payments to Suppliers for Goods and Services	(126,999)	(72)	(1,031,269)	(1,158,340)
Cash Payments to Employees for Services	-	-	(326,055)	(326,055)
Other Operating Revenues	<u>25</u>	<u>-</u>	<u>102</u>	<u>127</u>
Net Cash Provided By (Used In) Operating Activities	<u>176,884</u>	<u>(72)</u>	<u>176,790</u>	<u>353,602</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES - Security Deposits - Net	<u>1,531</u>	<u>-</u>	<u>-</u>	<u>1,531</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchases and Construction of Capital Assets	-	-	(143,378)	(143,378)
Proceeds from Capital Debt	-	2,145,000	710,000	2,855,000
Issuance Costs and Discount on Capital Debt	-	(94,396)	(29,268)	(123,664)
Principal Paid on Capital Debt	-	(2,155,000)	(790,000)	(2,945,000)
Interest and Debt Service Fees Paid on Capital Debt	-	(103,002)	(49,452)	(152,454)
Contributed Capital - Taps	-	-	37,317	37,317
Cash Transfer for Debt Service Requirements	<u>(181,774)</u>	<u>181,774</u>	<u>-</u>	<u>-</u>
Net Cash Used In Capital and Related Financing Activities	<u>(181,774)</u>	<u>(25,624)</u>	<u>(264,781)</u>	<u>(472,179)</u>
CASH FLOWS FROM INVESTING ACTIVITIES - Interest and Dividends on Investments	<u>1,161</u>	<u>7,276</u>	<u>7,986</u>	<u>16,423</u>
DECREASE IN CASH AND CASH EQUIVALENTS	<u>(2,198)</u>	<u>(18,420)</u>	<u>(80,005)</u>	<u>(100,623)</u>
CASH AND CASH EQUIVALENTS, JULY 1, 2003	<u>179,057</u>	<u>114,886</u>	<u>1,704,562</u>	<u>1,998,505</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2004	<u>\$176,859</u>	<u>\$ 96,466</u>	<u>\$1,624,557</u>	<u>\$1,897,882</u>

See Notes to Financial Statements.

CITY OF UTICA, MICHIGAN

**PROPRIETARY FUNDS
SCHEDULE OF RECONCILIATION OF OPERATING INCOME TO
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Enterprise Funds</u>			
	<u>Senior Housing Operations</u>	<u>Municipal Building Authority Senior Housing</u>	<u>Sewer and Water</u>	<u>Total</u>
OPERATING INCOME (LOSS)	\$167,086	(\$58,056)	\$137,329	\$246,359
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Depreciation and Amortization	89	57,984	150,772	208,845
Changes in Assets and Liabilities:				
(Increase) Decrease in:				
Accounts Receivable	(360)	-	9,996	9,636
Prepaid Expenses	-	-	(29,276)	(29,276)
Increase (Decrease) in:				
Accounts Payable	10,069	-	(12,931)	(2,862)
Due to Other Funds	<u>-</u>	<u>-</u>	<u>(79,100)</u>	<u>(79,100)</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$176,884</u>	<u>(\$ 72)</u>	<u>\$176,790</u>	<u>\$353,602</u>
The following information is provided as a reconciliation between certain amounts reported in the Statement of Cash Flows and the amounts in the Statement of Revenues, Expenses, and Changes in Net Assets:				
CHARGES FOR SERVICES	\$304,218	\$ -	\$1,524,016	\$1,828,234
PLUS - Beginning Receivables	15	-	332,178	332,193
LESS - Ending Receivables	<u>(375)</u>	<u>-</u>	<u>(322,182)</u>	<u>(322,557)</u>
Cash Received from Customers	<u>\$303,858</u>	<u>\$ -</u>	<u>\$1,534,012</u>	<u>\$1,837,870</u>
OPERATING EXPENSES	\$137,157	\$58,056	\$1,386,789	\$1,582,002
DEPRECIATION AND AMORTIZATION	(89)	(57,984)	(150,772)	(208,845)
PLUS:				
Accounts Payable and Due to Other Funds, June 30, 2003	5,554	-	366,659	372,213
Prepaid Expenses, June 30, 2004	-	-	29,276	29,276
LESS - Accounts Payable and Due to Other Funds, June 30, 2004	<u>(15,623)</u>	<u>-</u>	<u>(274,628)</u>	<u>(290,251)</u>
CASH PAID TO SUPPLIERS AND EMPLOYEES	126,999	72	1,357,324	1,484,395
LESS - Cash Paid to Employees	<u>-</u>	<u>-</u>	<u>(326,055)</u>	<u>(326,055)</u>
Cash Paid to Suppliers	<u>\$126,999</u>	<u>\$ 72</u>	<u>\$1,031,269</u>	<u>\$1,158,340</u>

See Notes to Financial Statements.

CITY OF UTICA, MICHIGAN

FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2004

	Non-Expendable <u>Trust Fund</u>	<u>Agency Funds</u>	
	Police and Fire Retirement <u>System</u>	Current Tax <u>Collection</u>	Trust and <u>Agency</u>
ASSETS:			
Cash and Cash Equivalents	\$ 64,191	\$1,101	\$10
Receivable - Accrued Interest	19,379	-	-
Investments - At Fair Value:			
U.S. Government Obligations	132,270	-	-
U.S. Government Agencies	501,572	-	-
Corporate Bonds	1,229,884	-	-
Corporate Stocks	<u>2,436,067</u>	<u>-</u>	<u>-</u>
Total Assets	<u>4,383,363</u>	<u>\$1,101</u>	<u>\$10</u>
LIABILITIES:			
Accounts Payable	7,923	\$ -	\$ -
Due to Other Funds (Note E)	<u>-</u>	<u>1,101</u>	<u>10</u>
Total Liabilities	<u>7,923</u>	<u>\$1,101</u>	<u>\$10</u>
NET ASSETS - Held-In-Trust for Retirement Benefits	<u>\$4,375,440</u>		

See Notes to Financial Statements.

CITY OF UTICA, MICHIGAN

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET ASSETS
JUNE 30, 2004

	Non-Expendable <u>Trust Fund</u> Police and Fire Retirement <u>System</u>
ADDITIONS:	
Contributions:	
Employer	\$ 194,493
Plan Members	<u>62,025</u>
Total Contributions	<u>256,518</u>
Investment Income:	
Net Appreciation in Fair Value of Investments	327,177
Interest	102,520
Dividends	<u>25,311</u>
Total Investment Income	<u>455,008</u>
Less Investment Expenses:	
Financial Consultant Fees	26,157
Brokerage Fees	325
Trustee Fees	<u>100</u>
Total Investment Expenses	<u>26,582</u>
Net Investment Income	<u>428,426</u>
Total Additions	684,944
DEDUCTIONS:	
Benefit Payments	153,941
Legal Fees	2,040
Actuarial Fees	4,200
Training and Meetings	8,806
Miscellaneous	<u>320</u>
Total Deductions	<u>169,307</u>
CHANGE IN NET ASSETS	515,637
NET ASSETS HELD-IN-TRUST FOR PENSION BENEFITS:	
Beginning of Year, July 1, 2003	<u>3,859,803</u>
End of Year, June 30, 2004	<u>\$4,375,440</u>

See Notes to Financial Statements.

CITY OF UTICA, MICHIGAN

COMPONENT UNITS
STATEMENT OF NET ASSETS
JUNE 30, 2004

	<u>Downtown Development Authority</u>	<u>Library</u>	<u>Total</u>
ASSETS:			
Cash	\$ 251,831	\$ 85,572	\$ 337,403
Receivables - Taxes	-	2,603	2,603
Capital Assets Not Being Depreciated - Books	-	343,463	343,463
Capital Assets Being Depreciated - Net	<u>1,155,916</u>	<u>22,288</u>	<u>1,178,204</u>
Total Assets	<u>1,407,747</u>	<u>453,926</u>	<u>1,861,673</u>
LIABILITIES:			
Accounts Payable	448	-	448
Accrued Liabilities	-	5,521	5,521
Long-Term Liabilities:			
Due Within One Year	70,000	-	70,000
Due In More Than One Year	<u>825,000</u>	<u>-</u>	<u>825,000</u>
Total Liabilities	<u>895,448</u>	<u>5,521</u>	<u>900,969</u>
NET ASSETS:			
Invested-In Capital Assets, Net of Related Debt	260,916	365,751	626,667
Restricted for Downtown Development	228,675	-	228,675
Restricted for Library Operations	-	82,654	82,654
Restricted for Downtown Development Debt	<u>22,708</u>	<u>-</u>	<u>22,708</u>
Total Net Assets	<u>\$ 512,299</u>	<u>\$448,405</u>	<u>\$ 960,704</u>

See Notes to Financial Statements.

CITY OF UTICA, MICHIGAN

COMPONENT UNITS
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes In Net Assets			Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Downtown Development Activities	Library	
DOWNTOWN DEVELOPMENT AUTHORITY:							
Public Works	\$ 55,712	\$ -	\$ -	\$ -	(\$ 55,712)	\$ -	(\$ 55,712)
Interest and Fees on Long-Term Debt	<u>47,021</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(47,021)</u>	<u>-</u>	<u>(47,021)</u>
Total Downtown Development Authority	102,733	-	-	-	(102,733)	-	-
LIBRARY - Cultural	<u>183,016</u>	<u>10,533</u>	<u>12,073</u>	<u>-</u>	<u>-</u>	<u>(160,410)</u>	<u>(160,410)</u>
Total Component Units	<u>\$285,749</u>	<u>\$10,533</u>	<u>\$12,073</u>	<u>\$ -</u>	<u>(102,733)</u>	<u>(160,410)</u>	<u>(263,143)</u>
GENERAL REVENUES:							
Property Taxes					187,008	143,427	330,435
Unrestricted Interest Earnings					<u>1,199</u>	<u>716</u>	<u>1,915</u>
Total General Revenues					<u>188,207</u>	<u>144,143</u>	<u>332,350</u>
CHANGE IN NET ASSETS					85,474	(16,267)	69,207
NET ASSETS, JULY 1, 2003					<u>426,825</u>	<u>464,672</u>	<u>891,497</u>
NET ASSETS, JUNE 30, 2004					<u>\$512,299</u>	<u>\$448,405</u>	<u>\$960,704</u>

NOTE A - Summary of Significant Accounting Policies

The City of Utica, Michigan, (the City) was organized in 1937 and covers an area of approximately 1.8 square miles. The City operates under an elected council and provides services to its approximately 5,000 residents in many areas, including law enforcement, fire protection, and community enrichment and development services.

The accounting policies of the City of Utica, Michigan, conform to U.S. generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

1. Reporting Entity

The City is governed by a City Council consisting of a mayor elected for a two-year term and six council members who are elected to overlapping four-year terms.

The accompanying financial statements present the City and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the City's operations. Discretely presented component units are reported in a separate column in the Government-Wide financial statements to emphasize that they are legally separate from the government (see discussion below for description).

The following organizations are included in the City's annual report for the reasons stated. Individual financial statements can be obtained at the City of Utica, Clerk's Office, 7550 Auburn Road, Utica, Michigan 48317.

Blended Component Units

The Municipal Building Authority of Utica, an entity legally separate from the City, is governed by a seven-member board appointed by the City Council. For financial reporting purposes, the Building Authority is reported as if it were part of the City's operations because its purpose is to finance and construct buildings for the City. The operations of the Building Authority are reported as a non-major Capital Projects Fund.

The City of Utica Police and Fire Retirement System is included as a fiduciary fund because, of the five-member governing board, one must be the City Treasurer and two others are appointed by the City. The City is also responsible for funding the Retirement System.

Discretely Presented Component Units

The Component Unit columns in the combined financial statements include the financial data of the City's Discretely Presented Component Units.

The Downtown Development Authority (the Authority) is legally separate from the City. The Authority was created to correct and prevent deterioration in the downtown district and promote economic growth within the downtown district. The City appoints the governing board but members can only be removed for cause. The budgets and expenditures of the Downtown Development Authority must be approved by the City Council.

The City of Utica Library is established under MCLA 397.201, et seq, as amended. The Mayor, with the consent of City Council, appoints directors to the governing board. Board members serve for staggered five-year terms and can only be removed for cause.

(Continued)

NOTE A - Summary of Significant Accounting Policies (Continued)

2. Government-Wide and Fund Financial Statements

The Government-Wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the Non-Fiduciary Activities of the City (the primary government) and its Component Units. The effect of Interfund Activity has been removed from these statements. Governmental Activities, normally supported by taxes and intergovernmental revenues, are reported separately from Business-Type Activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses for a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for Governmental Funds, Proprietary Funds, and Fiduciary Funds, even though the latter are excluded from the Government-Wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the Fund financial statements.

The City reports the following major Governmental Funds:

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major Street Fund - The Major Street Fund accounts for maintenance and improvement activities for streets designated as "major" within the City. Funding is provided primarily through State-shared gas and weight taxes.

Local Street Fund - The Local Street Fund accounts for maintenance and improvement activities for streets designated as "local" within the City. Funding is provided primarily through State-shared gas and weight taxes.

The Capital Projects - 2001 Local Street Fund - The 2001 Local Street Fund accounts for the bond proceeds issued for the purpose of making local street improvements within the City.

The City reports the following major Enterprise Funds:

Senior Housing Operations Fund - The Senior Housing Operations Fund accounts for the operations of the City's Senior Housing facility. Monthly maintenance fees charged to residents provide funding.

Municipal Building Authority Senior Housing Fund - The Municipal Building Authority Senior Housing Fund owns the City's Senior Housing facility and is responsible for the payment of bonds used to finance it. Monthly rental fees charged to residents provide funding.

(Continued)

NOTE A - Summary of Significant Accounting Policies (Continued)

2. Government-Wide and Fund Financial Statements (Continued)

The City reports the following major Enterprise Funds: (Continued)

Sewer and Water Fund - The Sewer and Water Fund accounts for the activities of the sewage collection system and the water distribution system. Funding is provided primarily through user chargers.

Additionally, the City reports the following fund types:

Police and Fire Retirement System Pension Trust Fund - The Police and Fire Retirement System Trust Fund accounts for the activities of the police and fire employees retirement system, which accumulates resources for pension benefit payments to qualified police and fire employees.

Agency Funds - The Agency Funds account for assets held by the City in a trustee capacity or as an agent for individuals, organizations, or other governments.

3. Measurement Focus and Basis of Accounting

The Government-Wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the Proprietary Fund, Fiduciary Fund, and Component Unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual—that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Significant revenues susceptible to accrual include property taxes, most federal intergovernmental revenues (i.e., federal grants), most state intergovernmental revenues (i.e., income taxes, sales taxes, Act 51 funds), special assessments, charges for services and interest. Most licenses and permits, fines and forfeits, and miscellaneous revenue sources generally are recorded as revenues when received in cash because they are not measurable until actually received. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures related to compensated absences, and claims and judgments are recorded only when payment is due.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the Government-Wide and Proprietary Fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after November 30, 1989 for its Business-Type activities.

As a general rule, the effect of Interfund Activity has been eliminated from the Government-Wide financial statements. Exceptions to this general rule are charges between the City's sewer and water function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

(Continued)

NOTE A - Summary of Significant Accounting Policies (Continued)

3. Measurement Focus and Basis of Accounting (Continued)

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary Funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. The principal operating revenue of the Proprietary Funds relates to charges to customers for sales and services. Operating expenses for Proprietary Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

4. Assets, Liabilities, and Net Assets or Equity

Cash and Cash Equivalents

Deposits are carried at cost plus accrued interest and consist of checking accounts, savings deposits, and certificates of deposit. The carrying value of deposits is displayed on the Balance Sheet as "Cash and Cash Equivalents". Excess cash of the individual funds are invested in a Bank One Municipal Funds Trust Account. Each fund records its own share of pooled funds as cash.

Investments

Investments consist of corporate bonds, common stock, and mutual funds. Investments of the Utica Police and Fire Retirement System Trust Funds are managed by Munder Capital Management and are stated at market value.

Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

Properties are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. These taxes are due on August 31, with the final collection date of February 28 of the following year, before they are added to the county tax rolls. The City bills and collects its own property taxes as well as taxes for the county and several school districts within its jurisdiction. Collections and remittances of the county and school taxes are accounted for in the Current Tax Collection Agency Fund.

The 2003 taxable value of property located in the City totaled \$174,151,659 on which taxes levied consisted of 16.7163 mills for general operating purposes, 1.7248 mills for public safety, .8624 mills for the Public Library, and 1.9438 mills for street debt.

The delinquent real property taxes of the City are purchased by the County of Macomb. These taxes have been recorded as revenue for the current year.

(Continued)

NOTE A - Summary of Significant Accounting Policies (Continued)**4. Assets, Liabilities, and Net Assets or Equity (Continued)****Receivables and Payables (Continued)**

Taxes Receivable at June 30, 2004 represent delinquent personal property taxes for the years 1999-2003. These taxes have been turned over to the county for collection. No provision is made for uncollectible accounts. It is felt that any such provision would be immaterial.

No provision is made for uncollectible Accounts Receivable as any such provision would be immaterial.

No provision is made for uncollectible Sewer and Water Bills Receivable because unpaid bills become a lien on the property and are added to the tax bill.

Prepaid Items

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital Assets, which include property, buildings, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital Assets are defined by the City as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated Capital Assets are recorded at estimated fair market value at the date of donation.

Capital Assets are depreciated using the straight-line method over the following useful lives:

Infrastructure	20-40 years
Sewer and Water Distribution Systems	20-50 years
Buildings and Building Improvements	30-50 years
Machinery and Equipment	5-15 years
Furniture and Fixtures	7-15 years

Deferred Charges

Deferred Charges consist of Bond Discount and Issuance Costs which are being amortized over the term of the bonds and the unbilled portion of signed construction contracts.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A liability is recorded when incurred in the Government-Wide financial statements and the proprietary fund financial statements. A liability for these amounts is reported in Governmental Funds only when they have matured or come due for payment— generally when an individual's employment has terminated as of year-end.

(Continued)

NOTE A - Summary of Significant Accounting Policies (Continued)

4. Assets, Liabilities, and Net Assets or Equity (Continued)

Long-Term Obligations

In the Government-Wide financial statements and the Proprietary Fund financial statements, long-term debt obligations are reported as liabilities in the applicable Governmental Activities, Business-Type Activities, or Proprietary Fund Statement of Net Assets. Bond premiums and discounts, issuance costs, and the deferred amount on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the Fund financial statements, Governmental Fund Types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity

In the Fund financial statements, Governmental Funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with U. S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

5. Accounting Changes

GASB Statement No. 34

Effective July 1, 2003, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB No. 34). Changes to the City's financial statements as a result of GASB No. 34 are as follows:

- A management's discussion and analysis (MD&A) section providing analysis of the City's overall financial position and results of operations has been included.
- Government-Wide financial statements (Statement of Net Assets (Deficit) and Statement of Activities) prepared using full accrual accounting for all of the City's activities have been provided.

(Continued)

NOTE A - Summary of Significant Accounting Policies (Continued)**5. Accounting Changes (Continued)****GASB Statement No. 34 (Continued)**

- Capital assets in the Governmental Activities column of the Statement of Net Assets (Deficit) includes infrastructure assets (roads, bridges, etc.) not previously accounted for by the City as well as assets totaling \$5,364,814 previously reported in the General Fixed Assets Account Group. In addition, the Governmental Activities column includes bonds and other long-term obligations totaling \$6,373,938 previously reported in the General Long-Term Debt Account Group.
- The Fund financial statements focus on major funds rather than fund types.

The Sewer and Water Fund net assets as of June 30, 2003 have been restated as follows:

Sewer and Water Net Assets - As Previously Reported	\$3,663,669
Capitalize Certain Assets Which Were Expensed in a Prior Year	<u>1,215,784</u>
Sewer and Water Net Assets - June 30, 2003 - As Restated	<u>\$4,879,453</u>

NOTE B - Stewardship, Compliance, and Accountability**Budgetary Information**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- Department Heads submit to the Mayor and the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures, and the means of financing them, for the General, Special Revenue Funds.

Informational summaries of projected revenues and expenditures are provided for all other City funds, as well as estimated total costs and proposed methods of financing all capital construction projects.

- Public hearings are conducted to obtain taxpayer comments.
- After modifications are made, the budget is legally enacted on a departmental (activity) basis for all budgetary funds for the ensuing fiscal year, in accordance with Public Act 621 of the State of Michigan.
- The City's Mayor, or her designee, is authorized to transfer budgeted amounts within departmental appropriation accounts; however, any revisions that alter the total expenditures of any department must be approved by the City Council.
- All budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.
- Budget appropriations lapse at year-end.

(Continued)

NOTE B - Stewardship, Compliance, and Accountability (Continued)**Budgetary Information (Continued)**

- g. The original budget was amended during the year in compliance with applicable state laws. A comparison of the budget with Statements of Actual Revenues and Expenditures, including budget variances, for the General Fund and major Special Revenue Funds is presented in the required supplementary information. A comparison of actual results of operations to the non-major Special Revenue Funds budgets as adopted by the City Council is available at the City offices for inspection.
- h. Encumbrances are defined as commitments related to unperformed contracts for goods or services. The City does not record encumbrances in the normal course of operating its accounting system and none are recorded in the accompanying financial statements.

Excess of Expenditures Over Appropriations in Budgeted Funds

The City did not have any expenditure budget variances.

State Construction Code Act

The City oversees building construction, in accordance with the State's Construction Code Act, including inspections of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative balance generated since January 1, 2000 is as follows:

Cumulative Balance - July 1, 2003		\$174,437
Building Permit Revenue	\$134,905	
Interest Earned On Funds	1,319	
Related Expenditures - Direct Costs	(113,422)	
Excess of Revenues Over Expenditures		<u>22,802</u>
Cumulative Balance - June 30, 2004		<u>\$197,239</u>

NOTE C - Cash and Cash Equivalents, Restricted Assets, and Investments

The City Council has authorized the Treasurer to deposit cash in the name of the City in federally insured financial institutions approved by the City Council. The carrying amount of the deposits is separately displayed on the Balance Sheet as "Cash and Cash Equivalents".

(Continued)

NOTE C - Cash and Cash Equivalents, Restricted Assets, and Investments (Continued)

Deposits are carried at cost. Michigan Compiled Laws, Section 129.91, authorizes the City to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. Investments can also be made in bonds, securities, and other obligations of the United States, or an agency or instrumentality of the United States, which are guaranteed as to principal and interest by the United States, including securities issued by the Government National Mortgage Association. United States government or federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the three highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase and which involve no more than 50 percent of any one fund. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money.

The Police and Fire Retirement System Pension trust is also authorized by Michigan Public Act 485 of 1996 to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small business, certain State and local government obligations, and certain specified investment vehicles.

Restricted cash represents amounts restricted by the Federal or the State law, or the City ordinance to be used for a specific purpose. Restricted amounts are as follows:

General Fund

Police Training	\$ 3,284
Fire and Ambulance Equipment	<u>7,187</u>
Total General Fund	<u>\$10,471</u>

Proprietary Funds

Sewer and Water Fund - Reserve for Bond Debt	\$180,798
Sewer and Water Fund - Improvement and Expansion	52,148
Senior Housing Operations Fund - Security Deposits	26,915
Municipal Building Authority Senior Housing Fund - Reserve for Bond Debt	<u>96,466</u>
Total Proprietary Funds	<u>\$356,327</u>

The City of Utica, Michigan's deposits and investment policies are in accordance with statutory authority. At year-end, the deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-Type Activities	Fiduciary Trust and Agency Funds	Total Primary Government	Component Units
Cash and Cash Equivalents	\$3,302,710	\$1,897,882	\$ 65,302	\$5,265,894	\$337,403
Investments	-	-	<u>4,299,793</u>	<u>4,299,793</u>	-
Totals	<u>\$3,302,710</u>	<u>\$1,897,882</u>	<u>\$4,365,095</u>	<u>\$9,565,687</u>	<u>\$337,403</u>

(Continued)

NOTE C - Cash and Cash Equivalents, Restricted Assets, and Investments (Continued)

The breakdown between deposits and investments for the City is as follows:

	<u>Primary Government</u>	<u>Component Units</u>
Bank Deposits (Checking Accounts, Savings Accounts, and Certificates of Deposit)	\$1,796,475	\$ 85,463
Investments in Securities, Mutual Funds, and Similar Vehicles	4,299,793	-
Bank One and Comerica Municipal Investments Trusts	3,468,919	251,940
Petty Cash or Cash-On-Hand	<u>500</u>	<u>-</u>
Total	<u>\$9,565,687</u>	<u>\$337,403</u>

Deposits

The City's deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits-in-transit) at approximately \$5,392,992. Of that amount, approximately \$637,797 was covered by federal depository insurance and the remainder was uninsured and uncollateralized.

The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those with an acceptable estimated risk level are used as depositories.

Investments

In accordance with GASB Statement No. 3, investments are classified into three categories of credit risk as follows:

- Category 1: Insured or collateralized with securities held by the Local Unit or its agent in the Local Unit's name.
- Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the Local Unit's name.

(Continued)

CITY OF UTICA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2004

NOTE C - Cash and Cash Equivalents, Restricted Assets, and Investments (Continued)

Investments (Continued)

Category 3: Uncollateralized (includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the Local Unit's name).

<u>Investment Type</u>	<u>Category (1)</u>	<u>Category (2)</u>	<u>Category (3)</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Primary Government:					
Risk - Categorized:					
Police and Fire Retirement System Bonds:					
U.S. Government	\$ -	\$ -	\$ 132,270	\$ 132,270	\$ 132,270
U.S. Government Agencies	-	-	501,572	501,572	501,572
Corporate	-	-	1,229,884	1,229,884	1,229,884
Common Stocks	-	-	<u>2,436,067</u>	<u>2,436,067</u>	<u>2,436,067</u>
Total Risk Categorized	<u>\$ -</u>	<u>\$ -</u>	<u>\$4,299,793</u>	4,299,793	4,299,793
Non-Risk - Categorized				-	-
Total Investments				<u>\$4,299,793</u>	<u>\$4,299,793</u>

The Utica Police and Fire Retirement System Trusts Board has authorized Munder Capital Management to manage its funds. All investments are held by the Trust Division using the Federal Reserve Depository Trust Company Book Entry Systems. They are held in a brokerage account at Merrill Lynch, Pierce, Fenner & Smith, Inc. These investments are uninsured and unregistered.

Component Units

The deposits of the City's component units were reflected in the accounts of the bank (without recognition of checks written but not cleared or of deposits-in-transit) at approximately \$251,940. Of that amount, approximately \$100,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized.

(Continued)

CITY OF UTICA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2004

NOTE D - Capital Assets

Capital Assets activity of the City's governmental (and business-type) activities were as follows:

	<u>Balance</u> <u>July 1, 2003</u>	<u>Additions</u>	<u>Disposals and</u> <u>Adjustments</u>	<u>Balance</u> <u>June 30, 2004</u>
Governmental Activities:				
Capital Assets Not Being Depreciated - Land	\$ 839,900	\$ -	\$ -	\$ 839,900
Capital Assets Being Depreciated:				
Land Improvements	112,449	-	-	112,449
Buildings and Improvements	1,781,286	-	-	1,781,286
Infrastructure (Excludes Water Mains and Sewers)	5,725,865	1,186,674	-	6,912,539
Furniture and Fixtures	161,042	17,094	17,277	160,859
Machinery and Equipment	<u>2,401,018</u>	<u>166,246</u>	<u>112,956</u>	<u>2,454,308</u>
Sub-Totals	<u>10,181,660</u>	<u>1,370,014</u>	<u>130,233</u>	<u>11,421,441</u>
Accumulated Depreciation:				
Land Improvements	70,224	3,561	-	73,785
Buildings and Improvements	646,596	44,629	-	691,225
Infrastructure (Excludes Water Mains and Sewers)	729,866	213,579	-	943,445
Furniture and Fixtures	109,305	16,244	16,701	108,848
Machinery and Equipment	<u>1,180,010</u>	<u>208,672</u>	<u>78,147</u>	<u>1,310,535</u>
Sub-Totals	<u>2,736,001</u>	<u>486,685</u>	<u>94,848</u>	<u>3,127,838</u>
Net Capital Assets Being Depreciated	<u>7,445,659</u>	<u>883,329</u>	<u>35,385</u>	<u>8,293,603</u>
Net Capital Assets	<u>\$ 8,285,559</u>	<u>\$ 883,329</u>	<u>\$ 35,385</u>	<u>\$ 9,133,503</u>
	<u>Balance</u> <u>July 1, 2003</u>	<u>Additions</u>	<u>Disposals and</u> <u>Adjustments</u>	<u>Balance</u> <u>June 30, 2004</u>
Business-Type Activities:				
Capital Assets Not Being Depreciated - Land	\$ 7,095	\$ -	\$ -	\$ 7,095
Capital Assets Being Depreciated:				
Buildings and Improvements	2,658,536	538	-	2,659,074
Water Mains and Sewers	5,696,905	142,839	-	5,839,744
Machinery and Equipment	<u>365,774</u>	<u>-</u>	<u>-</u>	<u>365,774</u>
Sub-Totals	<u>8,721,215</u>	<u>143,377</u>	<u>-</u>	<u>8,864,592</u>
Accumulated Depreciation:				
Buildings and Improvements	536,262	53,120	-	589,382
Water Mains and Sewers	1,543,565	133,902	-	1,677,467
Machinery and Equipment	<u>231,878</u>	<u>21,823</u>	<u>-</u>	<u>253,701</u>
Sub-Totals	<u>2,311,705</u>	<u>208,845</u>	<u>-</u>	<u>2,520,550</u>
Net Capital Assets Being Depreciated	<u>6,409,510</u>	<u>(65,468)</u>	<u>-</u>	<u>6,344,042</u>
Net Capital Assets	<u>\$6,416,605</u>	<u>(\$ 65,468)</u>	<u>\$ -</u>	<u>\$6,351,137</u>

(Continued)

CITY OF UTICA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2004

NOTE D - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 32,943
Public Safety	150,284
Health and Welfare - Ambulance	22,083
Public Works	268,215
Recreation and Culture	<u>13,160</u>
Total Governmental Activities	<u>\$486,685</u>
Business-Type Activities:	
Senior Housing Operations	\$ 89
Municipal Building Authority - Senior Housing	57,984
Sewer and Water	<u>150,772</u>
Total Business-Type Activities	<u>\$208,845</u>

NOTE E - Interfund Receivables, Payables, and Transfers

<u>Funds</u>	<u>Interfund Receivables</u>	<u>Funds</u>	<u>Interfund Payables</u>
General Fund	\$ 1,111	Current Tax Collection Fund Trust and Agency Fund	\$ 1,101 10
2001 Street Project Capital Projects Fund	<u>142,360</u>	Sewer and Water Fund	<u>142,360</u>
Total	<u>\$143,471</u>	Total	<u>\$143,471</u>

Interfund Transfers

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>	<u>Amount</u>
Non-Major Governmental Fund - 2002 Street Fund	2001 Street Fund	\$423,171
Senior Housing Operations Fund	Municipal Building Authority - Senior Housing	<u>181,774</u>
	Total	<u>\$604,945</u>

Transfers provided funding for capital projects, capital acquisitions, and debt service.

(Continued)

CITY OF UTICA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2004

NOTE F - Long-Term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Installment and lease purchase agreements are also general obligations of the City. Revenue bonds are payable solely from revenues derived from the activity they were used to finance. Other long-term obligations include compensated absences.

The following is a summary of Long-Term Debt transactions of the City and its Component Units for the year ended June 30, 2004:

	July 1, <u>2003</u>	<u>Additions</u>	<u>Reductions</u>	June 30, <u>2004</u>	Due Within <u>One Year</u>
<u>Governmental Activities:</u>					
Bonds, Contracts, and Notes:					
1996 Unlimited Tax General Obligation Bonds	\$1,900,000	\$ -	\$ 75,000	\$1,825,000	\$ 75,000
2001 Unlimited Tax General Obligation Bonds	1,550,000	-	25,000	1,525,000	50,000
2002 Unlimited Tax General Obligation Bonds	1,600,000	-	-	1,600,000	25,000
Ford Motor Credit Lease-Purchase Contract (Police Vehicles)	-	101,795	35,698	66,097	32,195
Bank One Installment-Purchase Agreement (Ambulance)	42,463	-	20,781	21,682	21,682
Comerica Bank Installment-Purchase Agreement (Fire Truck)	172,047	-	54,965	117,082	57,314
Baystone Financial Lease-Purchase Agreement (Police Equipment)	8,345	-	8,345	-	-
Bank One Installment-Purchase Agreement (Police Equipment)	26,114	-	12,843	13,271	13,271
Bank One Installment-Purchase Agreement (Fire Equipment)	<u>25,499</u>	<u>-</u>	<u>12,541</u>	<u>12,958</u>	<u>12,958</u>
Total Bonds, Contracts, and Notes	5,324,468	101,795	245,173	5,181,090	287,420
Other Long-Term Obligations Compensated Absences	<u>240,124</u>	<u>114,854</u>	<u>-</u>	<u>354,978</u>	<u>-</u>
Total Governmental Activities	<u>5,564,592</u>	<u>216,649</u>	<u>245,173</u>	<u>5,536,068</u>	<u>287,420</u>
<u>Business-Type Activities:</u>					
Water Supply and Sewage Disposal System Revenue Bonds, Series 1996	775,000	-	775,000	-	-
Water Supply and Sewage Disposal System Revenue Refunding Bonds, Series 2003	-	730,000	20,000	710,000	80,000
Water Supply and Sewage Disposal System Revenue Bonds, Series 2001	280,000	-	15,000	265,000	15,000
Building Authority Refunding Bonds, Series 1996	2,155,000	-	2,155,000	-	-
Building Authority Refunding Bonds, Series 2003	<u>-</u>	<u>2,145,000</u>	<u>-</u>	<u>2,145,000</u>	<u>125,000</u>
Total Business-Type Activities	<u>3,210,000</u>	<u>2,875,000</u>	<u>2,965,000</u>	<u>3,120,000</u>	<u>220,000</u>
Total Primary Government	<u>\$8,774,592</u>	<u>\$3,091,649</u>	<u>\$3,210,173</u>	<u>\$8,656,068</u>	<u>\$507,420</u>
<u>Component Unit</u>					
2000 Downtown Development Limited Tax General Obligation	<u>\$950,000</u>	<u>\$ -</u>	<u>\$55,000</u>	<u>\$895,000</u>	<u>\$70,000</u>

(Continued)

CITY OF UTICA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2004

NOTE F - Long-Term Debt (Continued)

Annual debt service requirements to maturity for the above obligations (excluding compensated absences) are as follows:

	<u>Governmental Activities</u>			<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 287,420	\$ 242,033	\$ 529,453	\$ 220,000	\$ 93,813	\$ 313,813
2006	268,670	228,731	497,401	225,000	87,999	312,999
2007	200,000	216,201	416,201	230,000	82,015	312,015
2008	200,000	207,475	407,475	225,000	75,648	300,648
2009	275,000	196,838	471,838	260,000	68,495	328,495
2010 - 2014	1,600,000	781,184	2,381,184	1,185,000	224,063	1,409,063
2015 - 2019	1,575,000	371,758	1,946,758	775,000	52,993	827,993
2020 - 2024	<u>775,000</u>	<u>55,625</u>	<u>830,625</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$5,181,090</u>	<u>\$2,299,845</u>	<u>\$7,480,935</u>	<u>\$3,120,000</u>	<u>\$685,026</u>	<u>\$3,805,026</u>

	<u>Component Units</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 70,000	\$ 43,699	\$ 113,699
2006	75,000	40,118	115,118
2007	85,000	36,118	121,118
2008	100,000	31,493	131,493
2009	125,000	25,836	150,836
2010 - 2014	<u>440,000</u>	<u>36,226</u>	<u>476,226</u>
	<u>\$895,000</u>	<u>\$213,490</u>	<u>\$1,108,490</u>

SIGNIFICANT DETAILS ON LONG-TERM DEBT:

Governmental Activities

1996 General Obligation Bonds -

The City issued \$2,200,000 of General Obligation Unlimited Tax Bonds dated February 1, 1996 for the purpose of paying part of the cost of various road improvements within the City. Interest is payable semi-annually on April 1 and October 1 commencing October 1, 1996. Principal payments are due annually October 1 commencing October 1, 1996. Interest rates vary from 4.6% to 5.0% depending on the maturity date.

2001 General Obligation Bonds -

The City issued \$1,600,000 of General Obligation Unlimited Tax Bonds dated February 1, 2001 for the purpose of paying part of the cost of various road improvements within the City. Interest is payable semi-annually on April 1 and October 1 commencing October 1, 2001. Principal payments are due annually October 1 commencing October 1, 2001. Interest rates vary from 4.25% to 5.00% depending on the maturity date.

(Continued)

NOTE F - Long-Term Debt (Continued)

SIGNIFICANT DETAILS ON LONG-TERM DEBT: (Continued)

Governmental Activities (Continued)

2002 General Obligation Bonds -

The City issued \$1,600,000 of General Obligation Unlimited Tax Bonds dated February 1, 2002 for the purpose of paying part of the cost of various road improvements within the City. Interest is payable semi-annually on April 1 and October 1 commencing October 1, 2002. Principal payments are due annually October 1 commencing October 1, 2004. Interest rates vary from 3.5% to 5.0% depending on the maturity date.

Lease-Purchase Agreement, Ford Motor Credit Company -

Requires three consecutive annual payments of \$35,698 beginning August 15, 2003 for five police vehicles. Upon final payment, the vehicles become the property of the City. Interest imputed under this contract is 5.3%.

Installment-Purchase Agreement, Bank One -

Requires five consecutive annual payments of \$23,095 including interest at 5.36% beginning October 31, 2001 for an ambulance.

Installment-Purchase Agreement, Comerica Bank -

Requires five consecutive annual payments of \$62,468 including interest at 4.4% beginning June 18, 2002 for a fire truck.

Lease-Purchase Agreement, Baystone Financial Group -

Requires one initial payment of \$9,341 on August 1, 2001 and two consecutive annual payments of \$9,341 beginning August 1, 2002 for police equipment. Upon final payment, the vehicle becomes the property of the City. Interest imputed under this contract is 5.1%.

Installment-Purchase Agreement, Bank One -

Requires three consecutive annual payments of \$13,712 including interest at 3.33% beginning February 18, 2003 for police equipment.

Installment-Purchase Agreement, Bank One -

Requires three consecutive annual payments of \$13,390 including interest at 3.33% beginning March 4, 2003 for fire equipment.

Business-Type Activities

Water Supply and Sewage Disposal System Revenue Refunding Bonds, Series 2003 -

During the year, the City issued \$730,000 of revenue refunding bonds dated August 1, 2003 pursuant to the provisions of Act 94, Public Acts of Michigan, 1933, as amended with interest rates of 3.25%. The proceeds of these bonds were used to refund \$700,000 of outstanding revenue bonds with interest rates ranging from 5.0% to 5.8%. The refunding reduced total debt service payments over the next 8 years by \$68,740, which represents an economic gain of approximately \$40,018.

(Continued)

NOTE F - Long-Term Debt (Continued)

SIGNIFICANT DETAILS ON LONG-TERM DEBT: (Continued)

Business-Type Activities (Continued)

Water Supply and Sewage Disposal System Revenue Refunding Bonds, Series 2003 - (Continued)

The bonds are payable solely from the net revenues of the system and a statutory first lien on said revenues has been established. Interest is payable semi-annually on April 1 and October 1 commencing on October 1, 2003. Principal payments are due annually on October 1 commencing on October 1, 2003.

Water Supply and Sewage Disposal System Revenue Bonds, Series 2001 -

The City issued \$305,000 of bonds dated February 1, 2001 pursuant to the provisions of Act 94, Public Acts of Michigan, 1933, as amended for the purpose of constructing additions, extensions, and improvements to its water supply and sewage disposal system.

The bonds are payable solely from the net revenues of the system and a statutory first lien on said revenues has been established. Interest is payable semi-annually on April 1 and October 1 commencing on October 1, 2001. Principal payments are due annually on October 1 commencing on October 1, 2001. Interest rates vary from 4.3% to 5.1% depending on maturity date.

Building Authority Refunding Bonds, Series 2003 -

During the year, the City issued \$2,145,000 of refunding bonds dated July 1, 2003 pursuant to the provisions of Act 94, Public Acts of Michigan, 1933, as amended with interest rates ranging from 2.0% to 3.5%. The proceeds of these bonds were used to refund \$2,055,000 of outstanding bonds with interest rates ranging from 4.3% to 5.0%. The refunding reduced total debt service payments over the next 14 years by \$189,898, which represents an economic gain of approximately \$166,655.

The bonds are payable from rental payments to be made by the City to the Building Authority pursuant to a refunding contract dated May 13, 2003. The City is required to provide sufficient monies in its annual budget to pay the debt service requirements on the bonds and, if necessary, levy taxes for payment. Any such levies must be subject to applicable charter, statutory, and constitutional tax limitations. It is the City's intention to pay the rentals from monies derived from operation of the Senior Citizen Housing Facilities.

Interest is payable semi-annually on May 1 and November 1 commencing on November 1, 2003. Principal is payable annually on November 1 commencing on November 1, 2004.

Component Units

2000 Downtown Development Bonds -

The City issued \$995,000 of bonds, dated August 1, 2000, to finance the cost of improvements within the Downtown Development Area. The bonds are issued in anticipation of the collection of certain tax increment revenue payments from the City of Utica Downtown Development Authority. The bonds are secured pursuant to a limited tax full faith and credit general obligation pledge by the City. Interest is payable semi-annually on April 1 and October 1. Principal payments are due annually October 1 commencing October 1, 2002. The bonds are not subject to redemption prior to maturity. Interest rates vary from 4.875% to 5.200% depending on the maturity date.

(Continued)

NOTE G - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains property and liability insurance coverage with the Michigan Municipal Liability and Property Pool and workers' compensation insurance through the Michigan Municipal League Workers' Compensation Fund. These programs were developed to administer a group program of liability and property self-insurance for Michigan municipalities. Member contributions are combined to provide each member with coverage for claims. Any funds not needed to pay claims and maintain prudent reserves are available for distribution to members, to increase liability limits, or to offer additional services to members as the Pool Board of Directors decide. The pools enter into reinsurance agreements to reduce exposure to large losses on all types of insured events.

The City carries commercial insurance for employee health and accident coverage.

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

NOTE H - Post Employment Benefits Other Than Pensions

Union and other contracts require the City to pay:

1. One hundred percent (100%) of medical insurance premiums for Department of Public Works (DPW) retirees and their dependents until age 65. The City may provide "GAP" coverage when retiree is eligible for Medicare.
2. One hundred percent (100%) of medical insurance premiums for Police Department retirees and their spouses, until eligible for Medicare.
3. A City Council Resolution on November 10, 1998 grants single medical insurance coverage for a retired Deputy Clerk, Treasurer, and DPW Superintendent for a period of five years.

At June 30, 2004, seven retirees were eligible and receiving benefits. Expenditures for those benefits, for the fiscal year ended June 30, 2004, amounted to \$45,504. The City funds these expenditures as they are incurred and charges current operations in the respective departments.

NOTE I - Pension Plans

The City makes contributions to two pension plans that cover substantially all full-time employees.

1. City of Utica Police and Fire Retirement System:

A. Plan Description

The Plan is a single employer public employee defined benefit pension plan that covers police officers and fire chiefs and is established under Public Act 345 of the State of Michigan.

Plan members are required to contribute 5% of compensation. The City is the only non-employee contributor to the Plan and is required to contribute the remaining amounts necessary to fund the Plan using actuarial computations.

As of June 30, 2003, the date of the most recent actuarial valuation, the Plan had 18 current active employee members and 3 retired members receiving benefits.

The Plan provides for vesting of benefits after 10 years. Eligibility for service retirement requires 25 years of service regardless of age or age 60 regardless of service. The Plan provides a straight-life pension equal to 2.5% (2% for post-7/1/97 hires) of 3-year average final compensation (AFC) times the first 25 years of service, plus 1% of AFC times years of service in excess of 25.

The Plan also provides for a deferred retirement after 10 years of service, which begins at the date retirement would have occurred had the member remained in employment and is computed as service retirement but based upon service AFC and benefit multiplier in effect at termination.

The Plan also provides benefits for surviving spouses upon death after retirement, Duty, and Non-Duty death in service and disability.

The Plan does not issue a separate financial report.

B. Contributions Required and Contributions Made

The City's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and actuarial accrued liability are determined using an entry age actuarial funding method.

During the year ended June 30, 2004, contributions to the system totaled \$256,518 (\$194,493 employer and \$62,025 employee) which were in accordance with the contribution requirements determined by the actuarial valuation of the Plan as of June 30, 2003, using the entry age actuarial funding method. Significant actuarial assumptions used include: (a) a 7.5% investment rate of return; (b) projected salary increases of 4.2% to 8.0% per year; and (c) no cost of living adjustments. Both (a) and (b) include an inflation component of 4%. The actual value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 22 years.

(Continued)

CITY OF UTICA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2004

NOTE I - Pension Plans (Continued)

1. City of Utica Police and Fire Retirement System: (Continued)

B. Contributions Required and Contributions Made (Continued)

Three-year trend information is as follows:

	<u>June 30,</u> <u>2003</u>	<u>June 30,</u> <u>2002</u>	<u>June 30,</u> <u>2001</u>
Annual Pension Cost	\$147,866	\$9,565	\$49,158
Percentage of Annual Pension Cost Contributed	107.1%	157.0%	159.8%
Net Pension Obligation	-	-	-
Actuarial Value of Assets	\$3,733,458	\$3,964,108	\$4,279,196
Actuarial Accrued Liability	\$4,548,419	\$4,271,356	\$3,857,044
Unfunded Actuarial Accrued Liability	\$814,961	\$307,248	(\$422,152)
Funded Ratio	82.1%	92.8%	110.9%
Covered Payroll	\$1,035,889	\$952,915	\$967,153
Unfunded Actuarial Accrued Liability as a Percentage of Payroll	78.7%	32.2%	(43.6%)

2. City of Utica Pension Plan

A. Plan Description

All full-time employees other than the Police Officers and the Fire Chiefs are covered by the Municipal Employees Retirement System of Michigan (MERS) Plan which provides retirement and disability benefits and death benefits to Plan members and beneficiaries. The City participates in the MERS, an agent multiple-employer defined benefit plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The MERS issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

B. Contributions Required and Contributions Made

The City is required to contribute at actuarially determined rates; for the year ended June 30, 2004, the rate was 5.94% for Police Dispatchers and 7.34% of annual covered payroll for all other covered City employees. Employees are required to contribute to the Plan at the rate of 5% of covered payroll. The contribution requirements of the City are established and may be amended by the Retirement Board of MERS. The contribution requirements of Plan members, if any, are established and amended by the City, depending on the MERS contribution program adopted by the City and negotiations with the City's competitive bargaining units.

(Continued)

NOTE I - Pension Plans (Continued)

2. City of Utica Pension Plan (Continued)

B. Contributions Required and Contributions Made (Continued)

For the year ended June 30, 2004, the City's annual pension cost of \$77,347 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2002 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8% and (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect market value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2002, the date of the latest actuarial valuation, was 32 years.

Three-year trend information is as follows:

	December 31, 2003	December 31, 2002	December 31, 2001
Annual Pension Cost	\$70,750	\$91,869	\$25,033
Percentage of Annual Pension Cost Contributed	100.0%	100.0%	100.0%
Net Pension Obligation	-	-	-
Actuarial Value of Assets	\$1,505,886	\$1,288,995	\$1,080,070
Actuarial Accrued Liability	\$2,141,094	\$1,773,407	\$1,570,386
Unfunded Actuarial Accrued Liability	\$635,208	\$484,412	\$490,316
Funded Ratio	70.3%	72.7%	68.8%
Covered Payroll	\$1,083,763	\$914,423	\$881,263
Unfunded Actuarial Accrued Liability as a Percentage of Payroll	58.6%	53.0%	55.6%

NOTE J - ContingenciesFederal and State Grants:

Under the terms of certain federal and state grants, periodic audits are required and certain costs may be questioned as not representing appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. The City management believes disallowances, if any, would be minimal.

(Continued)

NOTE K - Act 425 Agreement

On June 26, 1996, the City of Utica, Michigan, (Utica) entered into a contract for conditional transfer of property pursuant to Public Act 425 of 1984, with the Charter Township of Shelby Township, Michigan (Shelby Township). The term of the contract is from the date of execution through September 30, 2026.

Pursuant to this contract, a parcel of land of approximately 305 acres was transferred from Utica to Shelby Township for the purpose of an economic development project.

Under the terms of the contract, Shelby Township shall have jurisdiction and be solely responsible for providing water and sewer and cable television services to the east half of the property. All other services, including taxation, shall remain the jurisdiction of Utica.

Commencing September 30, 1997, and annually thereafter during the first fifteen years of the contract, Utica shall pay to Shelby Township a sum equal to three mills levied on the taxable value of the real and personal property located in the development area, less any tax adjustments. During the final fifteen years of the contract, Utica shall pay Shelby Township the sum of \$100 annually. The payment for the fiscal year ended June 30, 2003 was \$216,085.

Commencing on September 30, 1997, and annually thereafter up to and including the year 2011, Shelby Township shall pay Utica a sum equal to \$26,103 per year up to a total of \$391,546. In addition, the Township will share annually with Utica a sum equal to twenty-five percent (25%) of the prior year's "Net Water and Sanitary Sewer Revenues" from the east half of the property but not less than \$17,000 per year up to \$255,000. Upon payment of the \$255,000, the sharing of revenues shall cease.

NOTE L - Municipal Building Authority

The Municipal Building Authority of Utica, Michigan, a public corporation, is organized and existing under the Authority of Act 31, Public Acts of Michigan, 1948, as amended, and Ordinance Number 3, of the City of Utica, Michigan.

The Municipal Building Authority has two funds.

The first fund is the Municipal Building Authority Capital Projects Fund. This Fund receives rent payments from the City for leasing of land and buildings. It is the City's intention to continue to use the Building Authority for capital improvements and future expansion. This Fund will be used to pay for these expenditures. Capital improvements paid by this fund are included in the General Fixed Asset Account Group.

The second fund is the Municipal Building Authority Senior Citizen Housing Fund. This Fund has been set up under Ordinance Number 130 of the City of Utica, Michigan, to provide for the acquisition and construction of a housing facility for senior citizens. Under the terms of the Ordinance, the Municipal Building Authority issued Building Authority Revenue Bonds, Series 1992. This Fund receives rent payments under a Revenue Lease Contract with the City in amounts sufficient to satisfy the Authority's debt service requirements.

(Continued)

NOTE M - Component Units

The Component Unit columns in the combined financial statements include the financial data of the City's other component units. The City's other component units are the Downtown Development Authority of Utica, Michigan, and the Utica Public Library. They are reported in a separate column to emphasize that it is legally separated from the City. The governing boards are appointed by the Mayor and the City Council, but once appointed members can only be removed for cause until their terms expire.

Downtown Development Authority

The Downtown Development Authority of Utica, Michigan, a public corporation, was established August 21, 1989 pursuant to the Act 197, Public Acts of Michigan, 1975, and Ordinance Number 24 of the City of Utica, Michigan.

The Downtown Development Authority was established to halt property value deterioration and increase property tax valuation where possible in the business district of the City, to eliminate the cause of that deterioration, and to promote economic growth. These activities are financed from proceeds of a Tax Increment Financing Plan. Pursuant to this Plan, the Downtown Development Authority receives that portion of the tax levy of all taxing bodies paid each year on real and personal property in the project area on the captured assessed value as defined by Act 197. The Downtown Development Authority is required to expend the tax increments received for the development program only pursuant to the Tax Increment Financing Plan. Upon abolishment of the Downtown Development Authority, surplus funds shall revert proportionately to the respective taxing bodies.

Utica Public Library

The City of Utica Public Library is established under MCLA 397.201, et seq, as amended. The Mayor, with the consent of the City Council, appoints directors to the governing board. Board members serve for staggered five-year terms and can only be removed for cause.

Library operations are funded primarily by a one mil tax levy.

Capital Asset activity of the City's component units was as follows:

	Balance <u>July 1, 2003</u>	<u>Additions</u>	Disposals and <u>Adjustments</u>	Balance <u>June 30, 2004</u>
Downtown Development Authority:				
Capital Assets Being Depreciated - Infrastructure	\$1,243,881	\$ -	\$ -	\$1,243,881
Accumulated Depreciation - Infrastructure	<u>42,070</u>	<u>45,894</u>	<u>-</u>	<u>87,964</u>
Net Capital Assets Being Depreciated	<u>\$1,201,811</u>	<u>(\$45,894)</u>	<u>\$ -</u>	<u>\$1,155,917</u>

(Continued)

CITY OF UTICA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2004

NOTE M - Component Units (Continued)

Utica Public Library (Continued)

Capital Asset activity of the City's component units was as follows: (Continued)

	<u>Balance</u> <u>July 1, 2003</u>	<u>Additions</u>	<u>Disposals and</u> <u>Adjustments</u>	<u>Balance</u> <u>June 30, 2004</u>
Library:				
Capital Assets Not Being Depreciated - Books	\$333,895	\$9,568	\$ -	\$343,463
Capital Assets Being Depreciated - Furniture and Equipment	69,120	5,578	4,439	70,259
Accumulated Depreciation - Furniture and Equipment	<u>46,447</u>	<u>5,903</u>	<u>4,379</u>	<u>47,971</u>
Net Capital Assets Being Depreciated	<u>22,673</u>	<u>(325)</u>	<u>60</u>	<u>22,288</u>
Net Capital Assets	<u>\$356,568</u>	<u>\$9,243</u>	<u>\$ 60</u>	<u>\$365,751</u>

NOTE N - Segment Information for Enterprise Funds

The City maintains three Enterprise Funds, which provide senior housing, sewer, and water services. Segment information for the year ended June 30, 2004 was as follows:

	<u>Senior</u> <u>Housing</u> <u>Operations</u>	<u>Municipal</u> <u>Building</u> <u>Authority</u> <u>Senior Housing</u>	<u>Sewer</u> <u>and Water</u>	<u>Total</u> <u>Enterprise</u> <u>Funds</u>
Operating Revenues	\$304,243	\$ -	\$1,524,118	\$1,828,361
Depreciation Expense	89	57,984	150,772	208,845
Operating Income (Loss)	167,086	(58,056)	137,329	246,359
Non-Operating Revenues (Expenses):				
Interest Income	1,161	7,276	7,986	16,423
Interest Expense	-	(107,212)	(47,768)	(154,980)
Operating Transfers:				
In	-	181,774	-	181,774
Out	(181,774)	-	-	(181,774)
Net Income (Loss)	(13,527)	23,782	134,864	145,119
Current Capital Contributions - Tap Fees	-	-	37,317	37,317
Fixed Assets:				
Additions	-	-	143,377	143,377
Deletions	-	-	-	-
Net Working Capital	134,696	(135,173)	1,358,009	1,357,532
Total Assets	177,689	2,333,522	6,279,377	8,790,588
Bonds and Other Long-Term Liabilities:				
Payable from Operating Revenues and Transfers	-	2,048,534	794,202	2,842,736
Payable from Restricted Assets	26,915	96,466	180,798	304,179
Net Assets	135,151	178,349	5,014,317	5,327,817

NOTE N - Segment Information for Enterprise Funds (Continued)

The Municipal Building Authority Senior Housing Fund accounts for an apartment building constructed with Revenue Bonds. The Revenue Bonds were refunded by issuing General Obligation Limited Tax Bonds. The refunding bonds are payable from rental payments to be made to the Municipal Building Authority by the City pursuant to a refunding contract. The City of Utica, Michigan, through its Senior Housing Operations Fund, operates and maintains the building. All rents are collected by the Senior Housing Operations Fund along with a maintenance fee. Rents are then transferred to cover Debt Service and Reserve requirements.

(Concluded)

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF UTICA, MICHIGAN

REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Budget Amounts</u>			Variance With
	<u>Original</u>	<u>Amended</u>	<u>Actual</u>	<u>Amended Budget</u>
				<u>Over (Under)</u>
REVENUES:				
Taxes and Penalties	\$3,558,315	\$3,412,400	\$3,411,877	(\$ 523)
Property Tax Administration Fee	88,840	88,030	88,027	(3)
Licenses and Permits	14,000	30,850	31,542	692
Intergovernmental Revenue:				
Federal	24,000	18,000	28,517	10,517
State	510,600	483,390	568,646	85,256
Fines and Costs	131,000	156,330	166,821	10,491
Charges for Services	341,210	351,040	358,582	7,542
Rental Income	15,450	19,250	19,350	100
Cable Royalties	40,700	51,940	55,694	3,754
Interest on Investments	26,300	10,150	10,849	699
Other	<u>116,430</u>	<u>261,070</u>	<u>244,287</u>	<u>(16,783)</u>
Total Revenues	<u>4,866,845</u>	<u>4,882,450</u>	<u>4,984,192</u>	<u>101,742</u>
EXPENDITURES:				
General Government:				
Legislative and Executive	44,300	43,400	39,654	(3,746)
Elections	13,800	6,000	5,825	(175)
Assessor's Department	27,040	26,060	25,684	(376)
Legal Department	82,610	82,610	81,386	(1,224)
Clerk's Department	217,100	224,290	205,497	(18,793)
Treasurer's Department	149,920	166,350	162,222	(4,128)
Building Improvement and Maintenance	38,940	38,940	33,640	(5,300)
Rubbish Disposal	143,100	148,320	135,690	(12,630)
425 Agreement	220,000	220,202	220,202	-
Other	<u>185,240</u>	<u>206,918</u>	<u>206,141</u>	<u>(777)</u>
Total General Government	1,122,050	1,163,090	1,115,941	(47,149)
Public Safety:				
Police Department	1,937,660	2,090,087	1,983,431	(106,656)
Fire Department	419,985	414,525	401,530	(12,995)
Health and Welfare - Ambulance	126,450	126,890	121,284	(5,606)
Public Works	540,775	519,015	501,766	(17,249)
Recreation and Cultural	191,010	164,640	151,699	(12,941)
Debt Service:				
Principal Retirement	209,460	244,299	244,299	-
Interest and Debt Service Fees	<u>250,270</u>	<u>251,331</u>	<u>251,159</u>	<u>(172)</u>
Total Expenditures	<u>4,797,660</u>	<u>4,973,877</u>	<u>4,771,109</u>	<u>(202,768)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>69,185</u>	<u>(91,427)</u>	<u>213,083</u>	<u>304,510</u>
OTHER FINANCING SOURCES (USES) -				
Operating Transfers Out	<u>(150,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(80,815)</u>	<u>(91,427)</u>	<u>213,083</u>	<u>304,510</u>
FUND BALANCE, JULY 1, 2003	<u>951,768</u>	<u>951,768</u>	<u>951,768</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2004	<u>\$ 870,953</u>	<u>\$ 860,341</u>	<u>\$1,164,851</u>	<u>\$304,510</u>

See Independent Auditor's Report.

CITY OF UTICA, MICHIGAN

REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - MAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Major Street Fund</u>				<u>Local Street Fund</u>			
	<u>Budget Amounts</u>		<u>Variance With Amended Budget Over (Under)</u>		<u>Budget Amounts</u>		<u>Variance With Amended Budget Over (Under)</u>	
	<u>Original</u>	<u>Amended</u>			<u>Original</u>	<u>Amended</u>		
REVENUES:								
Intergovernmental Revenue:								
Federal	\$ -	\$ -	\$ 92,144	\$ 92,144	\$ -	\$ -	\$ -	\$ -
State	174,720	174,720	186,653	11,933	73,690	73,690	78,819	5,129
Interest on Investments	10,000	10,000	3,653	(6,347)	3,000	1,200	1,316	116
Other	-	-	7,350	7,350	-	-	-	-
Total Revenues	184,720	184,720	289,800	105,080	76,690	74,890	80,135	5,245
EXPENDITURES - Public Works	137,700	137,700	115,255	(22,445)	69,000	82,000	76,212	(5,788)
NET CHANGE IN FUND BALANCES	47,020	47,020	174,545	127,525	7,690	(7,110)	3,923	11,033
FUND BALANCE, JULY 1, 2003	502,016	502,016	502,016	-	194,994	194,994	194,994	-
FUND BALANCE, JUNE 30, 2004	<u>\$549,036</u>	<u>\$549,036</u>	<u>\$676,561</u>	<u>\$127,525</u>	<u>\$202,684</u>	<u>\$187,884</u>	<u>\$198,917</u>	<u>\$11,033</u>

See Independent Auditor's Report.

CITY OF UTICA, MICHIGAN

REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF FUNDING PROGRESS - POLICE AND FIRE RETIREMENT SYSTEM
JUNE 30, 2004

The Schedule of Funding Progress is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (Percent) (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll</u>
6/30/1998	3,048,898	3,031,367	(17,531)	100.6%	604,775	(2.9%)
6/30/1999	3,596,360	2,664,030	(932,330)	135.0%	638,953	(145.9%)
6/30/2000*	4,126,571	2,252,431	(1,874,140)	183.2%	754,290	(248.5%)
6/30/2001**	4,279,196	3,857,044	(422,152)	110.9%	967,153	(43.6%)
6/30/2002***	3,964,108	4,271,356	307,248	92.8%	952,915	32.2%
6/30/2003	3,733,458	4,548,419	814,961	82.1%	1,035,889	78.7%

* Retirement System Amended

** Based on Actual Salary and Revised Projections of Average Final Compensation

*** Revised Actuarial Assumptions

The Schedule of Employer Contributions is as follows:

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution*</u>	<u>Percentage Contributed</u>
6/30/1999	109,760	127.4%
6/30/2000	92,445	172.2%
6/30/2001	49,158	159.8%
6/30/2002	9,565	157.0%
6/30/2003	147,866	107.1%
6/30/2004	194,493	100.0%

* The Required Contribution is expressed to the City as a Percentage of Payroll.

The information presented above was determined as part of the actuarial valuations at the dates indicated.
Additional information as of June 30, 2003, the latest actuarial valuation, follows:

Valuation Date	June 30, 2003
Actuarial Cost Method	Individual Entry Age
Amortization Method	Level Percent of Payroll, Closed
Remaining Amortization Period	22 Years
Asset Valuation Method	4-Year Smoothed Market Value
Actuarial Assumptions:	
Investment Rate of Return	7.5%
Projected Salary Increases*	4.2% - 8.0%
*Includes Inflation at	4.0%
Cost of Living Adjustments	None

See Independent Auditor's Report.

CITY OF UTICA, MICHIGAN

REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF FUNDING PROGRESS - CITY OF UTICA PENSION PLAN
JUNE 30, 2004

The Schedule of Funding Progress is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (Percent) (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/1998	9,977	5,712	(4,265)	174.7%	185,188	(2.3%)
12/31/1999	27,667	20,521	(7,146)	134.8%	178,627	(4.0%)
12/31/2000*	929,787	1,440,923	511,136	64.5%	839,276	60.9%
12/31/2001	1,080,070	1,570,386	490,316	68.8%	881,263	55.6%
12/31/2002	1,288,995	1,773,407	484,412	72.7%	914,423	53.0%
12/31/2003**	1,505,886	2,141,094	635,208	70.3%	1,083,763	58.6%

* Retirement System Amended, Actuarial Assumptions Revised

** One-Time Adjustment Made to Method of Calculating Actuarial Value of Assets

The Schedule of Employer Contributions is as follows:

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution*</u>	<u>Percentage Contributed</u>
12/31/1998	7,574	100.0%
12/31/1999	7,359	100.0%
12/31/2000	47,777	100.0%
12/31/2001	25,033	100.0%
12/31/2002	91,869	100.0%
12/31/2003	70,750	100.0%

* The Required Contribution is expressed to the City as a Percentage of Payroll.

The information presented above was determined as part of the actuarial valuations at the dates indicated.
Additional information as of December 31, 2003, the latest actuarial valuation, follows:

Valuation Date	December 31, 2003
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll, Closed
Remaining Amortization Period	32 Years
Asset Valuation Method	5-Year Smoothed Market Value
Actuarial Assumptions:	
Investment Rate of Return	8.0%
Projected Salary Increases*	4.5% - 8.66%
*Includes Inflation at	4.5%
Cost of Living Adjustments	None

See Independent Auditor's Report.

OTHER SUPPLEMENTAL INFORMATION

CITY OF UTICA, MICHIGAN

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2004

	<u>Special Revenues Funds</u>			<u>Capital Projects Funds</u>		Total Non-Major Governmental Funds
	Liquor Law Enforcement	Building Code Enforcement	Drug Law Enforcement	Municipal Building Authority	2002 Street Project	
ASSETS - Cash	<u>\$22,723</u>	<u>\$222,705</u>	<u>\$25,786</u>	<u>\$148,300</u>	<u>\$679</u>	<u>\$420,193</u>
LIABILITIES AND FUND BALANCES:						
Liabilities - Accounts Payable	\$ -	\$ 25,466	\$ -	\$ -	\$679	\$ 26,145
Fund Balances - Unreserved	<u>22,723</u>	<u>197,239</u>	<u>25,786</u>	<u>148,300</u>	<u>-</u>	<u>394,048</u>
Total Liabilities and Fund Balances	<u>\$22,723</u>	<u>\$222,705</u>	<u>\$25,786</u>	<u>\$148,300</u>	<u>\$679</u>	<u>\$420,193</u>

See Independent Auditor's Report.

CITY OF UTICA, MICHIGAN

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
JUNE 30, 2004

	<u>Special Revenues Funds</u>			<u>Capital Projects Funds</u>		Total Non-Major Governmental Funds
	Liquor Law Enforcement	Building Code Enforcement	Drug Law Enforcement	Municipal Building Authority	2002 Street Project	
REVENUES:						
Licenses and Permits	\$ 8,411	\$134,905	\$ -	\$ -	\$ -	\$143,316
Drug Forfeitures	-	-	1,690	-	-	1,690
Rental Income	-	-	-	39,190	-	39,190
Interest on Investments	<u>137</u>	<u>1,319</u>	<u>184</u>	<u>633</u>	<u>2,229</u>	<u>4,502</u>
Total Revenues	<u>8,548</u>	<u>136,224</u>	<u>1,874</u>	<u>39,823</u>	<u>2,229</u>	<u>188,698</u>
EXPENDITURES:						
Liquor Law Enforcement	2,354	-	-	-	-	2,354
Building Code Enforcement	-	113,422	-	-	-	113,422
Drug Law Enforcement	-	-	3,706	-	-	3,706
Building Repairs and Maintenance	-	-	-	11,407	-	11,407
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,911</u>	<u>33,911</u>
Total Expenditures	<u>2,354</u>	<u>113,422</u>	<u>3,706</u>	<u>11,407</u>	<u>33,911</u>	<u>164,800</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	6,194	22,802	(1,832)	28,416	(31,682)	23,898
OTHER FINANCING SOURCES (USES) -						
Operating Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(423,171)</u>	<u>(423,171)</u>
NET CHANGE IN FUND BALANCES	6,194	22,802	(1,832)	28,416	(454,853)	(399,273)
FUND BALANCES, JULY 1, 2003	<u>16,529</u>	<u>174,437</u>	<u>27,618</u>	<u>119,884</u>	<u>454,853</u>	<u>793,321</u>
FUND BALANCES, JUNE 30, 2004	<u>\$22,723</u>	<u>\$197,239</u>	<u>\$25,786</u>	<u>\$148,300</u>	<u>\$ -</u>	<u>\$394,048</u>

See Independent Auditor's Report.

CITY OF UTICA, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2004

	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>June 30, 2004</u>	<u>June 30, 2005</u>	<u>Annual Interest Payable</u>
1996 GENERAL OBLIGATION UNLIMITED					
TAX BONDS, DATED 2/1/96, TOTAL					
ISSUED - \$2,200,000					
	4.60%	10/01/2004	\$ 75,000	\$ -	\$ 87,125
	4.60%	10/01/2005	100,000	100,000	83,100
	4.60%	10/01/2006	100,000	100,000	78,500
	4.60%	10/01/2007	100,000	100,000	73,900
	4.70%	10/01/2008	150,000	150,000	68,075
	4.80%	10/01/2009	150,000	150,000	60,950
	4.90%	10/01/2010	150,000	150,000	53,675
	5.00%	10/01/2011	175,000	175,000	45,625
	5.00%	10/01/2012	175,000	175,000	36,875
	5.00%	10/01/2013	200,000	200,000	27,500
	5.00%	10/01/2014	-	-	22,500
	5.00%	10/01/2015	<u>450,000</u>	<u>450,000</u>	<u>11,250</u>
Total 1996 General Obligation					
Unlimited Tax Bonds Payable			<u>1,825,000</u>	<u>1,750,000</u>	<u>649,075</u>
2001 GENERAL OBLIGATION UNLIMITED					
TAX BONDS, DATED 2/1/2001, TOTAL					
ISSUED - \$1,600,000					
	4.25%	10/01/2004	50,000	-	69,938
	4.25%	10/01/2005	50,000	50,000	67,812
	4.25%	10/01/2006	50,000	50,000	65,688
	4.50%	10/01/2007	50,000	50,000	63,500
	4.50%	10/01/2008	75,000	75,000	60,688
	4.50%	10/01/2009	75,000	75,000	57,312
	4.50%	10/01/2010	75,000	75,000	53,938
	4.35%	10/01/2011	75,000	75,000	50,619
	4.40%	10/01/2012	100,000	100,000	46,788
	4.50%	10/01/2013	100,000	100,000	42,337
	4.65%	10/01/2014	100,000	100,000	37,763
	4.75%	10/01/2015	100,000	100,000	33,062
	4.80%	10/01/2016	125,000	125,000	27,687
	4.85%	10/01/2017	125,000	125,000	21,656
	4.90%	10/01/2018	125,000	125,000	15,562
	5.00%	10/01/2019	125,000	125,000	9,375
	5.00%	10/01/2020	<u>125,000</u>	<u>125,000</u>	<u>3,125</u>
Total 2001 General Obligation					
Unlimited Tax Bonds Payable			<u>1,525,000</u>	<u>1,475,000</u>	<u>726,850</u>

See Independent Auditor's Report.

(Continued)

CITY OF UTICA, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2004

	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>June 30, 2004</u>	<u>June 30, 2005</u>	<u>Annual Interest Payable</u>
2002 GENERAL OBLIGATION UNLIMITED					
TAX BONDS, DATED 2/1/2002, TOTAL					
ISSUED - \$1,600,000					
	3.50%	10/01/2004	25,000	-	74,263
	3.50%	10/01/2005	25,000	25,000	73,387
	3.75%	10/01/2006	50,000	50,000	72,013
	4.00%	10/01/2007	50,000	50,000	70,075
	4.00%	10/01/2008	50,000	50,000	68,075
	4.20%	10/01/2009	50,000	50,000	66,025
	4.30%	10/01/2010	50,000	50,000	63,900
	4.40%	10/01/2011	50,000	50,000	61,725
	4.50%	10/01/2012	75,000	75,000	58,937
	4.55%	10/01/2013	100,000	100,000	54,975
	4.60%	10/01/2014	100,000	100,000	50,400
	4.65%	10/01/2015	100,000	100,000	45,775
	4.70%	10/01/2016	100,000	100,000	41,100
	5.00%	10/01/2017	125,000	125,000	35,625
	5.00%	10/01/2018	125,000	125,000	29,375
	5.00%	10/01/2019	125,000	125,000	23,125
	5.00%	10/01/2020	200,000	200,000	15,000
	5.00%	10/01/2021	<u>200,000</u>	<u>200,000</u>	<u>5,000</u>
Total 2002 General Obligation					
Unlimited Tax Bonds Payable			<u>1,600,000</u>	<u>1,575,000</u>	<u>908,775</u>
Total General Obligation					
Unlimited Tax Bonds Payable			<u>4,950,000</u>	<u>4,800,000</u>	<u>2,284,700</u>

CITY OF UTICA, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2004

	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>June 30, 2004</u>	<u>June 30, 2005</u>	<u>Annual Interest Payable</u>
BUILDING AUTHORITY LIMITED TAX GENERAL OBLIGATION REFUNDING BONDS, SERIES 2003, DATED 7/1/2003, TOTAL ISSUED - \$2,145,000					
	2.00%	11/01/2004	125,000	-	59,785
	2.00%	11/01/2005	130,000	130,000	57,235
	2.00%	11/01/2006	130,000	130,000	54,635
	2.50%	11/01/2007	125,000	125,000	51,773
	2.50%	11/01/2008	140,000	140,000	48,460
	2.50%	11/01/2009	135,000	135,000	45,023
	3.00%	11/01/2010	160,000	160,000	40,935
	3.00%	11/01/2011	155,000	155,000	36,210
	3.00%	11/01/2012	155,000	155,000	31,560
	3.00%	11/01/2013	175,000	175,000	26,610
	3.20%	11/01/2014	170,000	170,000	21,265
	3.30%	11/01/2015	170,000	170,000	15,740
	3.40%	11/01/2016	190,000	190,000	9,705
	3.50%	11/01/2017	<u>185,000</u>	<u>185,000</u>	<u>3,238</u>
Total Building Authority Refunding Bonds, Series 2003, Payable			<u>2,145,000</u>	<u>2,020,000</u>	<u>502,174</u>
2000 DOWNTOWN DEVELOPMENT LIMITED TAX GENERAL OBLIGATION BONDS, DATED 8/1/2000, TOTAL ISSUED - \$995,000					
	4.875%	10/01/2004	70,000	-	43,699
	5.000%	10/01/2005	75,000	75,000	40,118
	5.000%	10/01/2006	85,000	85,000	36,118
	5.000%	10/01/2007	100,000	100,000	31,492
	5.050%	10/01/2008	125,000	125,000	25,836
	5.100%	10/01/2009	125,000	125,000	19,493
	5.150%	10/01/2010	150,000	150,000	12,442
	5.200%	10/01/2011	<u>165,000</u>	<u>165,000</u>	<u>4,290</u>
Total 2000 Downtown Development Bonds Payable			<u>895,000</u>	<u>825,000</u>	<u>213,488</u>
Total General Obligation Limited Tax Bonds Payable			<u>3,040,000</u>	<u>2,845,000</u>	<u>715,662</u>

(Concluded)

CITY OF UTICA, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2004

	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>June 30, 2004</u>	<u>June 30, 2005</u>	<u>Annual Interest Payable</u>
WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM REVENUE BONDS, SERIES 2003, DATED 8/1/2003, TOTAL ISSUED - \$730,000					
	3.25%	10/01/2004	80,000	-	21,775
	3.25%	10/01/2005	80,000	80,000	19,175
	3.25%	10/01/2006	80,000	80,000	16,575
	3.25%	10/01/2007	80,000	80,000	13,975
	3.25%	10/01/2008	100,000	100,000	11,050
	3.25%	10/01/2009	100,000	100,000	7,800
	3.25%	10/01/2010	95,000	95,000	4,631
	3.25%	10/01/2011	<u>95,000</u>	<u>95,000</u>	<u>1,544</u>
Total Series 2003 Revenue Bonds Payable			<u>710,000</u>	<u>630,000</u>	<u>96,525</u>
WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM REVENUE BONDS, SERIES 2001, DATED 2/1/2001, TOTAL ISSUED - \$305,000					
	4.40%	10/01/2004	15,000	-	12,252
	4.45%	10/01/2005	15,000	15,000	11,589
	4.50%	10/01/2006	20,000	20,000	10,805
	4.55%	10/01/2007	20,000	20,000	9,900
	4.60%	10/01/2008	20,000	20,000	8,985
	4.65%	10/01/2009	20,000	20,000	8,060
	4.70%	10/01/2010	20,000	20,000	7,125
	4.75%	10/01/2011	25,000	25,000	6,061
	4.85%	10/01/2012	25,000	25,000	4,861
	4.90%	10/01/2013	25,000	25,000	3,643
	5.00%	10/01/2014	30,000	30,000	2,280
	5.10%	10/01/2015	<u>30,000</u>	<u>30,000</u>	<u>765</u>
Total Series 2001 Revenue Bonds Payable			<u>265,000</u>	<u>250,000</u>	<u>86,326</u>
Total Water and Sewage Disposal System Revenue Bonds Payable			<u>975,000</u>	<u>880,000</u>	<u>182,851</u>
Total Bonds Payable			<u>\$8,965,000</u>	<u>\$8,525,000</u>	<u>\$3,183,213</u>